

BETH C. DRAIN, CA CSR NO. 7152

BEFORE THE  
CITIZENS FINANCIAL ACCOUNTABILITY  
OVERSIGHT COMMITTEE  
ORGANIZED PURSUANT TO THE  
CALIFORNIA STEM CELL RESEARCH AND CURES ACT  
REGULAR MEETING

DATE: THURSDAY, NOVEMBER 9, 2017

TIME: 9 A.M.

LOCATION: LOS ANGELES CITY HALL  
200 N. SPRING STREET, ROOM 1050  
LOS ANGELES, CA 90012

BRS FILE NO.: 2017-23

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1 LOS ANGELES, CALIFORNIA; NOVEMBER 9, 2017

2 9 A.M.

3

4

CHAIRWOMAN YEE: GOOD MORNING, EVERYONE.

5

WELCOME TO THE REGULAR MEETING OF THE CITIZENS

6

FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE. MY

7

NAME IS BETTY YEE. I'M STATE CONTROLLER, CHAIRMAN

8

OF THE COMMITTEE. WELCOME MEMBERS, DR. SEDANA AND

9

MR. LOTT.

10

BY WAY OF SOME KIND OF HOUSEKEEPING, LET

11

ME SAY THAT WE ARE NOT USING THE MICROPHONES TODAY.

12

SO WE'D ASK THAT SPEAKERS COME FORTH, AND THE

13

MEMBERS PLEASE PROJECT. WE HAVE THE POLYCOM ON AS

14

WELL (INAUDIBLE).

15

SO LET ME JUST BEGIN BY MAYBE SETTING SOME

16

CONTEXT AND BACKGROUND. PROPOSITION 71 TASKED THIS

17

COMMITTEE TO REVIEW AN ANNUAL AUDIT AND EVALUATE

18

CIRM'S FINANCIAL PRACTICES. FOR THE LAST FEW YEARS

19

SINCE WE CONVENED THIS REVIEW, THERE HAVE BEEN

20

SUBSTANTIAL CHANGES: CIRM MANAGEMENT PRACTICES,

21

IMPLEMENTED ITS CIRM 2.0 INITIATIVE. AND MATERIAL

22

PROVIDED IN ADVANCE OF THIS MEETING INCLUDES THEIR

23

SUBSTANTIAL PROGRESS IN MANY OF THE MEASURES WE

24

SHOULD LOOK TO IN EVALUATING CIRM'S PERFORMANCE IN

25

ITS ROLE OF A RESEARCH FUNDING INSTITUTE SUCH AS THE

1 GROWING INCREASE IN PATIENT PARTICIPATION IN  
2 CLINICAL TRIALS, INCREASING NUMBERS OF ACTIVE  
3 CLINICAL TRIALS, AND STRONG PARTNERSHIPS WITH  
4 PRIVATE PARTICIPANTS NECESSARY TO REALIZE EFFECTIVE  
5 THERAPIES INTO MARKETABLE TREATMENTS.

6 TODAY AS WE CONVENE, THE END OF  
7 PROPOSITION 71'S BOND FUNDING FOR STEM CELL RESEARCH  
8 IS BECOMING EVER MORE REAL. AS CIRM CONTEMPLATES  
9 ITS FUTURE, IT CONSIDERED SEVERAL OPTIONS.  
10 THEREFORE, THE RESPONSIBILITY OF THIS COMMITTEE IS  
11 TO HELP WITH CIRM'S CONCRETE, MEASURABLE LEGACY,  
12 PUTTING ANY ONGOING RESPONSIBILITIES TO MONITOR  
13 TANGIBLE BENEFITS FROM CIRM'S WORK IN PUBLIC TRUST.

14 AS CIRM CEASES TO EXIST IN ITS CURRENT  
15 FORM, THERE MAY BE FUNCTIONS MY OFFICE NEEDS TO  
16 ACCOUNT FOR. AS THE STATE CHIEF FINANCIAL OFFICER,  
17 I'VE ASKED WHAT HAS THE PUBLIC EARNED FROM ITS  
18 INVESTMENT. MEASURING SCIENTIFIC PROGRESS AND NEW  
19 KNOWLEDGE IS COMPLEX, SUCH AS CIRM'S VALUE IS NOT  
20 EASILY QUANTIFIABLE. NEW KNOWLEDGE, ADDITIONAL  
21 LABORATORY INFRASTRUCTURE, NEW TALENT ENTERING THE  
22 STEM CELL FIELD, EACH OF THESE AS WELL AS THE MANY  
23 SCIENTIFIC ADVANCES AND PROGRESS HAS NOT FULFILLED  
24 THEIR POTENTIAL YET. THE FEDERAL GOVERNMENT'S  
25 COMMITMENT TO MEDICAL RESEARCH DOES NOT HAVE A

1 DEADLINE. TODAY'S MEASUREMENT IS CERTAINLY A WORK  
2 IN PROGRESS. NEVERTHELESS, OUR PUBLIC  
3 RESPONSIBILITY IS TO LOOK AT EVERY MEASURE WE HAVE  
4 AT OUR DISPOSAL, AND I AM ENCOURAGED BY THE GROWTH  
5 OF PATIENTS ENTERING CIRM-INITIATED CLINICAL TRIALS,  
6 THE ACCEPTABILITY OF NEW TOOLS, SUCH AS CIRM'S NEW  
7 CLINICAL TRIALS DASHBOARD, WHICH I HOPE, COLLEAGUES,  
8 YOU'VE HAD AN OPPORTUNITY TO LOOK AT. IT'S VERY  
9 EXCITING.

10 I LOOK FORWARD TO HEARING ABOUT CIRM'S  
11 WORK AND RESPOND TO THE MAJOR QUESTION OF WHAT  
12 CALIFORNIA'S FUTURE WILL BE (INAUDIBLE).

13 AND WITH THAT, I'D LIKE TO, BEFORE WE GET  
14 INTO THE AGENDA ITEMS, PERHAPS YOU WOULD ALL RISE  
15 AND I WILL LEAD US IN THE PLEDGE OF ALLEGIANCE.

16 (THE PLEDGE OF ALLEGIANCE.)

17 CHAIRWOMAN YEE: I'D ALSO LIKE TO  
18 INTRODUCE ALAN LOFASO, DEPUTY CONTROLLER.

19 OKAY. WE HAVE FIRST ON ORDER OF BUSINESS  
20 AN ACTION ITEM, WHICH IS THE ADOPTION OF TWO SETS OF  
21 MEETING MINUTES: MINUTES OF OCTOBER 1ST, 2015, AND  
22 OCTOBER 27, 2016. SO AS MANY OF YOU KNOW, WITH  
23 RESPECT TO WHY WE'RE LOOKING AT THE MINUTES OF 2015,  
24 LAST YEAR WE DID NOT APPROVE THE MINUTES OF 2015  
25 BECAUSE WE BELIEVED WE DID NOT HAVE A QUORUM. THERE

1 WERE THREE MEMBERS IN ATTENDANCE. SUBSEQUENT TO  
2 THAT MEETING, IN CONSULTATION WITH OUR CHIEF  
3 COUNSEL, WHO OPINED THAT WITH ONE VACANCY, THREE  
4 MEMBERS IN ATTENDANCE ON A FIVE MEMBER COMMITTEE.  
5 SO, ACCORDINGLY, THOSE MEETING MINUTES ARE BEFORE  
6 US. (INAUDIBLE). THE MINUTES OF THAT MEETING ARE  
7 SATISFACTORY AND ARE READY.

8 MEMBER LOTT: SO MOVED, MADAM CHAIR.

9 CHAIRWOMAN YEE: THANK YOU, MR. LOTT.

10 MEMBER SADANA: SECOND.

11 CHAIRWOMAN YEE: SECOND BY DR. SEDANA.

12 WITHOUT OBJECTION, THE MEETING MINUTES FOR BOTH OF  
13 THOSE MEETINGS ARE APPROVED.

14 NEXT AGENDA ITEM IS THE PRESENTATIONS OF  
15 THE 2015-16 ANNUAL AUDIT BY MACIAS, GINI &  
16 O'CONNELL. AND WE HAVE A REPRESENTATIVE FROM MGO.

17 MR. HARNER: GOOD MORNING, MEMBERS OF THE  
18 COMMITTEE. MY NAME IS CRAIG HARNER. I'M A SENIOR  
19 MANAGER WITH MGO. BEFORE I KIND OF GET INTO THE  
20 RESULTS OF OUR AUDIT, I WANT TO THANK THE COMMITTEE  
21 FOR THE TIME TO PRESENT THE RESULTS AND ALSO THE  
22 MANAGEMENT STAFF OF CIRM FOR ALL THEIR ASSISTANCE  
23 DURING OUR AUDIT.

24 SO WE WERE ENGAGED TO PERFORM AN AUDIT OF  
25 CIRM'S FINANCIAL STATEMENTS OF THEIR GOVERNMENTAL

1 ACTIVITIES AND OF THE MAJOR FUND OR THE STEM CELL  
2 FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2016. THE  
3 PURPOSE AND OBJECTIVE OF OUR AUDIT IS TO EXPRESS AN  
4 OPINION ON THOSE FINANCIAL STATEMENTS TO ENSURE THAT  
5 THEY'RE FREE OF WHAT WE CALL MATERIAL MISSTATEMENTS  
6 EITHER DUE TO ERRORS OR FRAUD.

7 SO AS PART OF OUR AUDIT, WE'VE ISSUED TWO  
8 REPORTS. OUR TWO INDEPENDENT AUDITOR'S REPORTS ARE  
9 CONTAINED IN THE REPORT PACKAGE CALLED "INDEPENDENT  
10 AUDIT REPORTS, MANAGEMENT DISCUSSION AND ANALYSIS OF  
11 THE FINANCIAL STATEMENTS AND SUPPLEMENTARY  
12 INFORMATION."

13 THE VERY FIRST REPORT IS OUR INDEPENDENT  
14 AUDITOR'S REPORT ON PAGES 1 THROUGH 3. THE FIRST  
15 COUPLE SECTIONS OF THE REPORT JUST KIND OF IS A  
16 DETAILED MANAGEMENT'S RESPONSIBILITY FOR THOSE  
17 FINANCIAL STATEMENTS. THE MANAGEMENT IS RESPONSIBLE  
18 FOR THE PREPARATION AND THE FAIR PRESENTATION OF THE  
19 FINANCIAL STATEMENTS IN ACCORDANCE WITH U.S.  
20 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, AND THIS  
21 ALSO INCLUDES THE DESIGN AND IMPLEMENTATION AND  
22 MAINTENANCE OF INTERNAL CONTROLS RELEVANT TO THE  
23 FAIR PRESENTATION OF THOSE FINANCIAL STATEMENTS,  
24 AGAIN, TO ASSURE THAT THEY'RE FREE FROM MATERIAL  
25 MISSTATEMENTS DUE TO ERRORS OR FRAUD.

1 OUR RESPONSIBILITY AS AN INDEPENDENT  
2 AUDITOR IS TO EXPRESS AN OPINION ON THOSE FINANCIAL  
3 STATEMENTS BASED ON THE RESULTS OF OUR WORK. SO  
4 WHAT WE DO, WE PLAN TO PERFORM OUR AUDIT TO OBTAIN  
5 WHAT WE CALL REASONABLE ASSURANCE THAT THESE  
6 FINANCIAL STATEMENTS ARE FREE OF MATERIAL  
7 MISSTATEMENTS. REASONABLE ASSURANCE MEANS NOT 100  
8 PERCENT ASSURANCE. WE DON'T AUDIT EVERY SINGLE  
9 TRANSACTION, BUT WE STILL DO A HIGH LEVEL AUDIT TO  
10 BE ABLE TO PROVIDE AN OPINION ON THE FINANCIAL  
11 STATEMENTS.

12 NOW I WILL GET TO THE RESULTS OF OUR  
13 AUDIT. WE ISSUED OUR OPINION ON APRIL 14, 2017, AND  
14 WE ARE PLEASED TO SAY THAT WE ISSUED WHAT'S CALLED  
15 AN UNMODIFIED OPINION. AN UNMODIFIED OPINION IS THE  
16 HIGHEST LEVEL OF ASSURANCE THAT AN INDEPENDENT  
17 AUDITOR CAN GIVE AN ORGANIZATION REGARDING THEIR  
18 FINANCIAL STATEMENTS.

19 THE SECOND REPORT IS IN THE VERY BACK OF  
20 THAT SAME REPORTING PACKET. THIS REPORT IS REQUIRED  
21 BY THE GOVERNMENT AUDITING STANDARDS. SO WE  
22 PERFORMED OUR WORK IN ACCORDANCE WITH GOVERNMENT  
23 AUDITING STANDARDS. AND WITH THIS IT ADDS  
24 ADDITIONAL THINGS THAT WE HAVE TO CONSIDER AS  
25 AUDITORS. ONE IS WE HAVE TO -- WE DON'T OPINE ON

1 THE INTERNAL CONTROLS OVER CIRM'S FINANCIAL  
2 REPORTING; BUT IF WE, DURING OUR WORK, WHICH WE'RE  
3 REQUIRED TO OBTAIN AN UNDERSTANDING OF THE INTERNAL  
4 CONTROLS, IF WE BECOME AWARE OF WHAT WE CALL A  
5 DEFICIENCY THAT RISES TO THE LEVEL OF SIGNIFICANT  
6 DEFICIENCY OR MATERIAL WEAKNESS, WE WOULD HAVE TO  
7 REPORT THAT TO THE COMMITTEE IN THE LETTER HERE.  
8 AND WE ARE PLEASED TO SAY THAT FOR THE YEAR ENDED  
9 JUNE 30, 2016, WE DID NOT HAVE ANY DEFICIENCIES OF  
10 INTERNAL CONTROLS THAT ROSE TO THAT LEVEL.

11 THE SECOND PART OF DOING AN AUDIT IN  
12 ACCORDANCE WITH THE GOVERNMENT AUDITING STANDARDS IS  
13 WE HAVE TO CONSIDER LAWS, REGULATIONS, CONTRACTS,  
14 AND AGREEMENTS WHERE ANY NONCOMPLIANCE WITH THOSE  
15 THAT COULD POSSIBLY CAUSE A MATERIAL MISSTATEMENT OF  
16 THE FINANCIAL STATEMENTS, WE WOULD ALSO HAVE TO  
17 REPORT THAT HERE. AND, AGAIN, WE DID NOT HAVE ANY  
18 SUCH INSTANCES IN 2016.

19 WITH THAT BEING SAID, I'LL OPEN UP TO ANY  
20 QUESTIONS.

21 CHAIRWOMAN YEE: FIRST OF ALL, THANK YOU.  
22 (INAUDIBLE).

23 THE REPORTER: MADAM CHAIR, THIS IS THE  
24 COURT REPORTER. I AM UNABLE TO HEAR YOU.

25 CHAIRWOMAN YEE: OKAY. I WILL SPEAK UP.

1 THE REPORTER: THANK YOU.

2 CHAIRWOMAN YEE: ON PAGE 6 WHERE -- THIS  
3 IS A QUESTION ABOUT GRANTS. YOU KNOW THAT GRANTS  
4 ARE EXPENDITURES. (INAUDIBLE) BY CAPITAL  
5 (INAUDIBLE) WITH CIRM'S INTELLECTUAL PROPERTY  
6 POLICIES. SO AS YOU KNOW, CIRM RETAINS CERTAIN  
7 RIGHTS TO THE BENEFITS FROM RESEARCH (INAUDIBLE).  
8 HOW MUCH IS THIS ACCOUNTED FOR?

9 MR. HARNER: TO THAT I DON'T HAVE THE  
10 INFORMATION. I'D LOOK TO MANAGEMENT TO ANSWER THAT  
11 QUESTION.

12 MS. SILVA-MARTIN: SO THE EXPENDITURES,  
13 THERE ARE PAYMENTS THAT WE MADE TO THE (INAUDIBLE).

14 MR. HARNER: SO ROUGHLY 170 MILLION.

15 CHAIRWOMAN YEE: SO IN TERMS OF THE  
16 (INAUDIBLE) CIRM EARNINGS (INAUDIBLE).

17 MR. HARNER: THE EARNINGS, YES, THEY HAVE  
18 AN INTEREST RECEIVABLE OFF THE LOAN THAT THEY MAKE,  
19 AND THEN WHAT THEY'VE ACTUALLY EARNED FOR THE PERIOD  
20 YOU WILL SEE ON THE STATEMENT OF ACTIVITIES AND THEN  
21 THE CHANGE IN THE REVENUE AND CHANGES IN THE  
22 BALANCE. THE REVENUE THEY'VE EARNED OR THE INTEREST  
23 ON THOSE.

24 CHAIRWOMAN YEE: AND THEN TO DEPRECIATION  
25 OF CAPITAL ASSETS. DO YOU KNOW DEPRECIATION

1 ACTIVITIES OF 77,700?

2 MR. HARNER: YES.

3 CHAIRWOMAN YEE: SO THIS IS A QUESTION IN  
4 TERMS OF HOW MUCH SPECIFICITY DOES THE AUDIT  
5 CONSIDER OF PARTICULAR ASSETS?

6 MR. HARNER: HOW MUCH SPECIFICITY?

7 CHAIRWOMAN YEE: YES. IN OTHER WORDS, YOU  
8 HAVE (INAUDIBLE).

9 MR. HARNER: OH, YES. WE LOOK AT IT. WE  
10 GET A LISTING OF ALL THAT, AND WE LOOK AT IT, AND WE  
11 PASS THE DEPRECIATION BASED OFF THE APPROVED  
12 POLICIES AND THE STATE ADMINISTRATIVE MANUAL  
13 GUIDELINES.

14 CHAIRWOMAN YEE: OKAY.

15 MR. HARNER: ALL RIGHT. THANK YOU VERY  
16 MUCH.

17 CHAIRWOMAN YEE: THANK YOU.

18 MR. KASAN: GOOD MORNING, COMMITTEE  
19 MEMBERS. THANK YOU FOR ALLOWING THE STATE  
20 CONTROLLER'S OFFICE TO PRESENT OUR REVIEW RESULTS.  
21 MY NAME IS DAVID KASAN (PHONETIC). I'M A MANAGER  
22 FOR THE STATE CONTROLLER'S OFFICE, DIVISION OF  
23 AUDITS.

24 UNDER THE AUTHORITY OF HEALTH AND SAFETY  
25 CODE SECTION 125290.3, THE STATE CONTROLLER'S OFFICE

1 CONDUCTED A QUALITY CONTROL REVIEW OF MACIAS, GINI &  
2 O'CONNELL'S WORKPAPERS RELATED TO ITS FINANCIAL  
3 AUDIT OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE  
4 MEDICINE AS OF JUNE 30TH, 2016.

5 THE STATE CONTROLLER'S OFFICE DETERMINED  
6 THAT THE FINANCIAL AUDIT WAS PERFORMED IN ACCORDANCE  
7 WITH APPLICABLE AUDITING STANDARDS AND THE  
8 CALIFORNIA BUSINESS AND PROFESSIONS CODE  
9 REQUIREMENTS. WE ISSUED OUR REPORT ON SEPTEMBER 8,  
10 2017. I'M AVAILABLE TO ANSWER ANY QUESTIONS YOU  
11 HAVE.

12 CHAIRWOMAN YEE: MR. LOTT.

13 MEMBER LOTT: (INAUDIBLE).

14 CHAIRWOMAN YEE: (INAUDIBLE). IT'S  
15 ROUTINE.

16 MEMBER LOTT: ALL RIGHT. THANKS.

17 CHAIRWOMAN YEE: NEXT ITEM, ITEM NO. 6, IS  
18 ALSO AN INFORMATION ITEM, STATUS UPDATE OF CIRM'S  
19 FINANCIAL PERFORMANCE, PRIOR AND CURRENT YEAR  
20 BUDGETS, UPDATE OF GRANTS AWARDED, AND CLINICAL  
21 TRIALS, AND CIRM'S FUTURE.

22 MS. SILVA-MARTIN: THANK YOU. GOOD  
23 MORNING. MY NAME IS CHILA SILVA-MARTIN, AND I WILL  
24 BE PRESENTING OUR FINAL EXPENDITURES FOR THE '16-'17  
25 FISCAL YEAR AS WELL AS THE '17-'18 BUDGET.

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25

(BRIEF PAUSE.)

MS. SILVA-MARTIN: THE PRESENTATION THIS MORNING WILL COVER THE FINAL RESULTS FOR THE '16-'17 FISCAL YEAR. WE'LL LOOK AT THE BUDGET THAT WAS ALLOCATED BY THE ICOC BOARD FOR THIS YEAR AND ALSO THE FINAL RESULTS AND SOME OF THE MAJOR DRIVERS THAT IMPACTED THOSE FINAL RESULTS. THEN WE'LL LOOK AT THE '17-'18 BUDGET OF WHAT WAS ALLOCATED, SOME OF THE DRIVERS BEHIND THE DEVELOPMENT OF THAT BUDGET, AND THEN SOME OF THE POTENTIAL RISKS THAT WE MAY FACE IN MEETING THAT BUDGET DURING THE '17-'18 FISCAL YEAR.

THIS FIRST CHART REPRESENTS THE BUDGET AND THE FINAL RESULTS FOR THE '16-'17 FISCAL YEAR AT THE CATEGORICAL LEVEL. THE FIRST COLUMN REPRESENTS WHAT WAS ALLOCATED FOR THE FISCAL YEAR, WHICH WAS JUST OVER \$18.9 MILLION.

THE SECOND COLUMN REPRESENTS THE ACTUAL FINAL EXPENDITURES THAT WERE JUST UNDER \$16.6 MILLION.

AND THEN THE LAST COLUMN REPRESENTS THE VARIANCE, THE UNDER OR OVERAGES IN EACH OF THE CATEGORIES. AND AS YOU CAN SEE, THAT WAS \$2.4 MILLION. FURTHER REFLECTED IN THE LAST COLUMN, THERE'S A COUPLE OF AREAS WHERE WE HAVE SOME FAIRLY

1 LARGE VARIANCES. AND I'D LIKE TO LOOK AT THOSE  
2 CATEGORIES NEXT.

3 THE TWO AREAS THAT ARE REALLY CONTRIBUTING  
4 TO THE VARIANCE ARE IN OUR EMPLOYEE EXPENSES. WE  
5 HAD AN UNDERRUN OF ABOUT \$1.6 MILLION IN THAT  
6 CATEGORY AND ALSO IN OUR REVIEWS AND MEETINGS  
7 CATEGORY WHERE THE EXPENDITURES CAME IN ABOUT  
8 \$580,000 LESS THAN WHAT WAS BUDGETED.

9 SO WHY DID THESE VARIANCES OCCUR? OUR  
10 EMPLOYEE EXPENSES CAME IN LOWER THAN WHAT WAS  
11 BUDGETED. THE '16-'17 BUDGET INCLUDED 57 POSITIONS  
12 TO SUPPORT OUR MISSION AND STRATEGIC PLAN. AT THE  
13 BEGINNING OF THAT FISCAL YEAR, IN JULY, WE ACTUALLY  
14 HAD SEVERAL VACANCIES. WE HAD SIX VACANCIES IN OUR  
15 SCIENTIFIC AREA, FIVE OF THEM IN OUR THERAPEUTICS  
16 DIVISION, AND ONE OF THEM IN OUR STRATEGIC  
17 INFRASTRUCTURE DIVISION.

18 WE ALSO EXPERIENCED A LEADERSHIP CHANGE IN  
19 BOTH OF THOSE UNITS. DR. MILLAN WAS APPOINTED TO  
20 LEAD THE THERAPEUTICS UNIT IN JULY, AND SO SHE MADE  
21 A DECISION TO DELAY FILLING THE POSITIONS BECAUSE  
22 SHE WANTED THE OPPORTUNITY TO WORK WITH HER TEAM ON  
23 MEETING THE STRATEGIC GOALS. THEY WERE ACTUALLY  
24 ABLE TO MEET THE ENTIRE STRATEGIC GOAL WITHOUT  
25 FILLING ANY OF THE FIVE POSITIONS. SO THEY

1 MAINTAINED VACANT SLOTS THROUGHOUT THE FISCAL YEAR.  
2 WHEN DR. MILLAN MOVED OVER TO THE  
3 THERAPEUTICS UNIT AND LEFT A POSITION VACANT IN OUR  
4 STRATEGIC INFRASTRUCTURE, NEIL LITTMAN WAS PROMOTED  
5 FROM THAT SAME UNIT TO LEAD THAT UNIT. AND HE MADE  
6 THE DECISION NOT TO FILL THIS POSITION AS WELL. SO  
7 THOSE SIX VACANCIES REMAINED UNFILLED THROUGHOUT THE  
8 FISCAL YEAR.

9 WE DID KEEP THREE OF THOSE POSITIONS. WE  
10 MOVED THREE OF THOSE POSITIONS INTO THE '17-'18  
11 FISCAL YEAR, AND WE WILL FILL THEM IF WE FEEL THAT  
12 WE NEED THEM TO MEET OUR STRATEGIC GOALS AND OUR  
13 INCREASED WORKLOAD THAT I'LL TALK ABOUT LATER WHEN I  
14 GO OVER THE '17-'18 BUDGET.

15 ANOTHER AREA WHERE WE EXPERIENCED REDUCED  
16 COSTS WAS IN OUR REVIEWS AND MEETINGS. AND SO THAT  
17 OCCURRED FOR SEVERAL REASONS. FIRST OF ALL, WHEN WE  
18 PREVIOUSLY OCCUPIED SPACE IN SAN FRANCISCO, WE  
19 REALLY DID NOT -- IT WAS NOT SET UP FOR US TO HOLD  
20 MEETINGS INTERNALLY. SO WE HELD MEETINGS AT PRIVATE  
21 VENUES. WHEN WE MOVED TO OAKLAND, WE TRIED TO BUILD  
22 THE FACILITY SO THAT IT WOULD ALLOW US TO  
23 ACCOMMODATE SOME MEETINGS, IF NOT ALL OF OUR  
24 MEETINGS.

25 SO DURING THE '16-'17 FISCAL YEAR, WE

1 ACTUALLY BROUGHT SOME MEETINGS IN-HOUSE TO  
2 HEADQUARTERS. OUR ICOC BOARD MEETINGS WERE BROUGHT  
3 IN DURING THAT YEAR, AND THEN WE ALSO STARTED TO  
4 BRING IN OUR REVIEW MEETINGS. THAT RESULTED IN  
5 REDUCED COST. WE SAVED MONEY THERE.

6 WHEN DR. MILLAN MOVED OVER TO THE  
7 THERAPEUTICS UNIT, SHE TOOK SOME OF THE ALPHA CLINIC  
8 OVERSIGHT RESPONSIBILITIES WITH HER TO IMPLEMENT  
9 INCREASED EFFICIENCIES AND HELP REDUCE COSTS AS  
10 WELL.

11 OUR REVIEW TEAM WAS ABLE TO COMBINE A  
12 COUPLE OF MEETINGS TOGETHER, REVIEW MEETINGS  
13 TOGETHER, AND THAT ALSO RESULTED IN LOWER COST.

14 AND THEN FINALLY, WE DID HAVE ATP3 THAT  
15 WAS BUDGETED DURING THE '16-'17 FISCAL YEAR, AND  
16 THAT MEETING ACTUALLY DID NOT MATERIALIZE. SO THAT  
17 WAS THE REASON FOR THE SAVINGS IN THAT CATEGORY.

18 SO THOSE WERE THE MAJOR DRIVERS FOR THE  
19 '16-'17 FISCAL YEAR. I'D NOW LIKE TO LOOK AT THE  
20 CURRENT YEAR BUDGET, '17-'18.

21 THIS NEXT CHART PRESENTS THE BUDGET AGAIN  
22 AT THE CATEGORICAL LEVEL, AND IT REALLY LOOKS AT THE  
23 '17-'18 BUDGET AGAINST WHAT WAS BUDGETED FOR  
24 '16-'17, BUT, MORE IMPORTANTLY, AGAINST WHAT WE  
25 SPENT IN '16-'17. SO, AGAIN, THE BUDGET FOR '16-'17

1 IS REFLECTED IN THE FIRST COLUMN, AND IT WAS \$18.9  
2 MILLION. WE CAME IN AT JUST UNDER \$16.6 MILLION AS  
3 IT'S REFLECTED IN THE SECOND COLUMN. AND THEN OUR  
4 BUDGET FOR '17-'18 IS JUST UNDER \$18.6 MILLION.

5 SO AS YOU CAN SEE, THE '17-'18 BUDGET IS  
6 ABOUT \$325,000 LESS THAN WHAT WAS BUDGETED FOR  
7 '16-'17, BUT ABOUT \$2 MILLION MORE THAN WHAT WE  
8 EXPENDED IN '16-'17. SO THERE ARE A COUPLE OF AREAS  
9 WHERE THE VARIANCES ARE VERY LARGE, AND I'D LIKE TO  
10 REVIEW THOSE NEXT.

11 SO AS YOU CAN SEE, THERE'S A COUPLE OF  
12 AREAS WHERE WE'RE ANTICIPATING WE MAY HAVE INCREASED  
13 COST. THAT'S IN OUR EMPLOYEE EXPENSES AND IN  
14 REVIEWS AND MEETINGS. ON THE OTHER HAND, WE ARE  
15 REDUCING COSTS IN ONE AREA, AND THAT'S IN OUR  
16 EXTERNAL SERVICES, OUR CONSULTING AREA. SO I'LL  
17 TALK ABOUT THOSE NEXT.

18 SO WHY DO WE ANTICIPATE THAT WE MAY HAVE  
19 INCREASED EMPLOYEE EXPENSES? WELL, FIRST OF ALL, AS  
20 YOU MAY BE AWARE, JAMES HARRISON WAS OUR GENERAL  
21 COUNSEL, AND WE CONTRACTED WITH HIM THROUGH A  
22 CONSULTING CONTRACT. AND HE STEPPED DOWN FROM HIS  
23 POSITION IN JUNE OF LAST YEAR. AND WHAT WE DID,  
24 INSTEAD OF CONTINUING WITH EXTERNAL SERVICES, WE  
25 CONVERTED THAT TO A POSITION, AND WE NOW HAVE AN

1 INTERNAL PERSON THAT WAS PROMOTED TO THAT POSITION,  
2 SCOTT TOCHER, AND SO THAT COST HAD MOVED OVER TO  
3 EMPLOYEE EXPENSES.

4 I MENTIONED EARLIER THAT WE RETAINED THOSE  
5 THREE VACANCIES, AND SO THOSE VACANCIES ARE INCLUDED  
6 IN THE BUDGET, AND WE WILL FILL THEM SHOULD WE NEED  
7 THEM TO SUPPORT OUR INCREASE IN OUR CLINICAL  
8 WORKLOAD. WE'VE SEEN A SIGNIFICANT INCREASE, AND  
9 DR. MILLAN WILL TALK ABOUT THAT LATER, AND I'LL  
10 MENTION IT BRIEFLY IN MY NEXT SLIDE.

11 AND THEN THE LAST THING THAT IMPACTED THE  
12 INCREASE IN THE BUDGET IS, AS A STATE AGENCY, WE'RE  
13 REQUIRED TO PAY CERTAIN EMPLOYEE BENEFIT COSTS. AND  
14 THOSE ARE COSTS THAT WE DON'T CONTROL. OBVIOUSLY  
15 THESE VARIOUS CONTROL AGENCIES DO IT. WE WERE  
16 NOTIFIED THAT THOSE COSTS AGAIN WOULD BE GOING UP  
17 THIS FISCAL YEAR. SO WE INCORPORATED THOSE  
18 INCREASES INTO THE BUDGET.

19 SO OVERALL, WE CAN ANTICIPATE THAT THE  
20 BUDGET EXPENSES COULD END UP BEING 1 TO 1.3 MILLION,  
21 \$4 MILLION MORE THAN THEY WERE IN '16-'17 SHOULD ALL  
22 THOSE THINGS OCCUR.

23 WE ARE ALSO ANTICIPATING AN INCREASE IN  
24 REVIEW ACTIVITY, AND REALLY THE MAJORITY OF THOSE  
25 COSTS ARE FOR OUR CLINICAL PROGRAMS. SO WE'VE SEEN

1 A DRAMATIC INCREASE IN OUR CLINICAL PORTFOLIO, AND  
2 DR. MILLAN WILL TALK ABOUT THIS LATER.

3 SO AT THE BEGINNING OF THE '16-'17 FISCAL  
4 YEAR, WE HAD NINE CLINICAL PROGRAMS. WE HAD  
5 ANTICIPATED THAT WE WOULD HAVE ABOUT 38 CLINICAL  
6 PROGRAMS BY THE END OF 2017, BUT WE ACTUALLY, I  
7 BELIEVE, HAVE 40 AT THIS TIME. SO, AS YOU CAN SEE,  
8 THAT'S A REALLY LARGE INCREASE. THE CLINICAL  
9 PROGRAM HAS INCREASED EXPONENTIALLY, MORE THAN 300  
10 PERCENT, AND SO THE COSTS TO SUPPORT WHAT OUR  
11 CLINICAL PROGRAMS, AS WE HAVE A TEAM OF STAFF WHO  
12 CONVENE CLINICAL ADVISORY PANELS AND WORK WITH OUR  
13 CLINICAL PROGRAMS, THOSE COSTS WE EXPECT TO INCREASE  
14 THREEFOLD BECAUSE THE PORTFOLIO HAS INCREASED  
15 THREEFOLD.

16 ONE AREA WHERE WE'RE SEEING SOME DECREASED  
17 COST IS IN OUR EXTERNAL SERVICES AREA, AND THAT'S  
18 REALLY FOR A VARIETY OF REASONS. FIRST OF ALL, AS I  
19 MENTIONED EARLIER, WE CONVERTED THE EXTERNAL  
20 SERVICES GENERAL COUNSEL CONTRACT TO A POSITION.  
21 AND THAT RESULTED IN ABOUT A \$325,000 DECREASE IN  
22 EXTERNAL SERVICES. WE ALSO LOWERED OUR I.T. COSTS,  
23 AND WE ARE SEEING A REDUCTION OF ABOUT \$200,000  
24 THERE.

25 DURING THE '16-'17 FISCAL YEAR, WE HAD

1 SOME ONE-TIME COSTS. ONE OF THE THINGS THAT WE DID  
2 WAS WE CONTACTED THE STATE CONTROLLER'S OFFICE AND  
3 WANTED TO EXPLORE THE FEASIBILITY OF DOING  
4 ELECTRONIC FUND TRANSFER. SO LAST YEAR WE STARTED  
5 WORKING WITH THE STATE CONTROLLER'S OFFICE, AND I'M  
6 HAPPY TO REPORT THAT, AS I SPEAK, WE ARE ACTUALLY  
7 NOW TESTING THE PROCESS, AND WE'RE HOPEFUL THAT THAT  
8 WILL BE IMPLEMENTED IN EARLY JANUARY SO THAT WE'LL  
9 BE ABLE TO DO ELECTRONIC FUND TRANSFER FOR OUR  
10 GRANTEES. SO WE INCURRED A ONE-TIME COST TO  
11 CONTRACT WITH THE CONTROLLER TO PERFORM THIS  
12 SERVICE.

13 AND THEN BECAUSE WE ARE NEW TO THE NEW  
14 FISCAL ACCOUNTING FINANCIAL MANAGEMENT SYSTEM, WE  
15 DID WORK WITH A CONSULTANT TO HELP US WORK WITH SOME  
16 OF OUR REPORTS AND MANAGE THOSE THINGS.

17 THESE DECREASES OVERALL, HOWEVER, ARE  
18 BEING OFFSET BY SOME INCREASES. ONE OF THEM IS A  
19 ONE-TIME COST. AS YOU MAY BE AWARE, SENATE BILL  
20 1064 REQUIRED THAT WE PERFORM A PERFORMANCE AUDIT.  
21 WE CONDUCT THE PERFORMANCE AUDIT EVERY THREE YEARS.  
22 SO WE CONTRACTED. WE DID A COMPETITIVE SOLICITATION  
23 DURING THE '17-'18 FISCAL YEAR, AND WE NOW HAVE THE  
24 AUDITORS IN PLACE AND THEY'RE REVIEWING THE '16-'17  
25 FISCAL YEAR. SO WE BUDGETED \$300,000 IN THE '17-'18

1 FISCAL YEAR FOR THAT SERVICE.

2 AND THEN WE ARE SEEING AN INCREASE IN OUR  
3 ACCOUNTING COSTS. WE CONTRACT WITH THE DEPARTMENT  
4 OF GENERAL SERVICES TO ACTUALLY PERFORM OUR  
5 ACCOUNTING. THEY'VE INDICATED TO US OUR CONTRACT  
6 WENT UP, AND IT'S REALLY DUE TO IMPLEMENTATION OF  
7 FISCAL.

8 OKAY. SO THOSE ARE THE DRIVERS BEHIND THE  
9 '17-'18 BUDGET. BUT I DO ALSO WANT TO POINT OUT  
10 SOME POTENTIAL OPPORTUNITIES AND RISKS THAT MAY  
11 IMPACT THE FINAL RESULTS THIS YEAR.

12 SO AS YOU KNOW, OVER THE PAST THREE YEARS  
13 UNDER DR. MILLAN AND DR. MILLS' LEADERSHIP, WE  
14 IMPLEMENTED CIRM 2.0, AND WE REALLY TRANSFORMED THE  
15 ORGANIZATION. NO QUESTION ABOUT THAT. THE ENTIRE  
16 CIRM TEAM IS REALLY ACTIVE IN MANAGING OUR COST, AND  
17 THEY WILL CONTINUE TO DO SO. SO WE ONLY WILL FILL  
18 VACANCIES IF THEY ARE NEEDED TO FULFILL OUR MISSION  
19 AND OUR STRATEGIC PLAN. OTHERWISE, WE WILL NOT FILL  
20 THEM.

21 WE WILL CONTINUE TO IMPLEMENT OTHER COST  
22 SAVING MEASURES LIKE MOVING MEETINGS AND REVIEWS  
23 IN-HOUSE. THESE TYPES OF MEASURES OBVIOUSLY HAVE A  
24 POSITIVE IMPACT ON OUR BUDGET AND THEY REDUCE OUR  
25 COST, AND WE CAN CONTINUE TO SEE REDUCTIONS IN COSTS

1 HOPEFULLY. BUT THERE ARE OTHER THINGS THAT ARE  
2 DIFFICULT FOR US TO CONTROL, AND THEY TOO MAY HAVE  
3 AN IMPACT ON THE FINAL RESULT.

4 DR. MILLAN WILL TALK TO YOU ABOUT OUR  
5 SUCCESSES DURING THE 2017 FISCAL YEAR. NOT ONLY DID  
6 WE MEET OUR STRATEGIC GOALS, WHICH SHE WILL TELL  
7 YOU, BUT WE ACTUALLY EXCEEDED THEM. AND SO IT'S  
8 VERY POSSIBLE THAT WE MAY CONTINUE TO SEE A HIGH  
9 VOLUME OF MERITORIOUS APPLICATIONS DURING THIS  
10 FISCAL YEAR. CONVERSELY, WE MAY SEE A DECLINE. AND  
11 BOTH OF THOSE SCENARIOS CAN IMPACT OUR BUDGET,  
12 OBVIOUSLY, IN OPPOSITE DIRECTIONS.

13 WE MAY EXPERIENCE HIGHER THAN EXPECTED  
14 EMPLOYEE TURNOVER. WE HAVEN'T SEEN THAT DURING THE  
15 FIRST PART OF THE YEAR, BUT IT COULD HAPPEN IN THE  
16 LAST PART OF THE YEAR. THAT COULD IMPACT THE  
17 BUDGET. AND THEN LAST, BUT NOT LEAST, OUR STATE  
18 BENEFITS THAT WE BUDGETED FOR MAY COME IN HIGHER  
19 THAN WHAT WE ANTICIPATED. USUALLY IN THE FALL THE  
20 CONTROL AGENCIES SOMETIMES DO MAKE ADJUSTMENTS THAT  
21 GET IMPLEMENTED IN JANUARY. AND SO IF WE SEE THAT,  
22 ALL OF THESE THINGS MAY HAVE A FINAL IMPACT ON THE  
23 FINAL RESULTS.

24 THAT REALLY CONCLUDES MY PRESENTATION, AND  
25 I'M HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

1 CHAIRWOMAN YEE: DR. SEDANA.

2 DR. SADANA: THE ONLY THING WAS THE  
3 (INAUDIBLE).

4 MS. SILVA-MARTIN: NO. I MEAN WE REALLY  
5 HAVE SEEN HARDLY ANYTHING LATELY. SO I WOULD SAY  
6 THAT WE'RE PROBABLY BELOW STANDARD.

7 CHAIRWOMAN YEE: I HAVE A COUPLE  
8 QUESTIONS --

9 MS. SILVA-MARTIN: SURE.

10 CHAIRWOMAN YEE: -- RELATED TO  
11 (INAUDIBLE).

12 THE REPORTER: PLEASE SPEAK UP.

13 CHAIRWOMAN YEE: YES. THE CHALLENGES  
14 (INAUDIBLE). CAN YOU GIVE US AN UPDATE AS TO  
15 WHETHER (INAUDIBLE)?

16 MS. SILVA-MARTIN: SURE. I'M HAPPY TO DO  
17 THAT. SO, AS YOU KNOW, LAST YEAR WE CLOSED THE  
18 BOOKS SIX MONTHS LATE, AND IT WAS A REAL CHALLENGE.  
19 I MEAN WORKING, TRYING TO GET FINANCIAL REPORTS.  
20 YOU KNOW, WE WERE USED TO REPORTS OUT OF CALSTRS,  
21 AND CERTAINLY THE REPORTS OUT OF FI\$CAL ARE NOT THE  
22 SAME. THIS YEAR WE CLOSED ON TIME. AND SO WE ARE  
23 SEEING THE BENEFITS OF FI\$CAL. I CAN TELL YOU THAT  
24 WE PREVIOUSLY MAINTAINED AN INTERNAL GP SYSTEM THAT  
25 HELPED US TO TRACK WHAT WE SENT OVER TO DGS FOR

1 PAYMENT. WE KEPT THAT SYSTEM GOING, AND WHAT WE  
2 LEARNED IN IMPLEMENTING FI\$CAL IS WE NO LONGER NEED  
3 THAT SYSTEM BECAUSE I CAN SEE EVERYTHING IN FI\$CAL.

4 I THINK THE CHALLENGES THAT STILL REMAIN,  
5 I THINK AREAS WHERE I WOULD LIKE TO SEE FI\$CAL  
6 IMPROVE IS IN THEIR TRAINING. I THINK THAT THERE'S  
7 A LOT THAT CAN BE DONE WITH TRAINING. AND THEN THE  
8 REPORTING AS WELL. I MEAN THAT'S BEEN A CHALLENGE  
9 FOR US IN TRYING TO GET REPORTS; ALTHOUGH, IN  
10 SPEAKING TO OUR AUDITORS, THEY REALLY DO LIKE THE  
11 REPORTS BECAUSE THEY'RE USED TO USING EAGLE SOFT,  
12 AND THEY'RE FAMILIAR WITH IT. SO FOR US IT'S JUST A  
13 MATTER OF LEARNING FROM 30, 35 YEARS OF CALSTRS OVER  
14 TO FI\$CAL.

15 CHAIRWOMAN YEE: YES. THANK YOU. AND I  
16 KNOW (INAUDIBLE).

17 MS. SILVA-MARTIN: WELL, AS A LONG-TERM  
18 STATE EMPLOYEE, I'VE BEEN WAITING. THIS WILL TELL  
19 YOU HOW MUCH OF A GEEK I AM, BUT I'VE BEEN WAITING  
20 FOR FI\$CAL FOR A LONG TIME. SO I'M GLAD THAT I WAS  
21 ABLE TO SEE THAT HAPPEN IN MY CAREER WITH THE STATE.

22 CHAIRWOMAN YEE: GOOD.

23 AND THEN I HAD A QUESTION WITH RESPECT TO  
24 YOUR SAVINGS FROM THE (INAUDIBLE). SO WITH REVIEWS  
25 NOT MATERIALIZING, TALK ABOUT WHAT THAT MEANS FOR

1 THE BUDGET.

2 MS. SILVA-MARTIN: SO I'M GOING TO LEAVE  
3 THAT TO DR. MILLAN TO COMMENT BECAUSE I THINK SHE  
4 CAN ADDRESS IT BETTER.

5 CHAIRWOMAN YEE: OKAY. AND THEN I STILL  
6 HAVE A QUESTION RELATED TO (INAUDIBLE). THAT SHOULD  
7 BE DEPENDING ON WHAT SCENARIO (INAUDIBLE). I'M  
8 SPEAKING ABOUT THE IMPACT IT WOULD HAVE ON YOUR  
9 BUDGET.

10 DR. MILLAN: I'LL ADDRESS THAT.

11 CHAIRWOMAN YEE: OKAY. ALL RIGHT. SOUNDS  
12 GOOD.

13 DR. MILLAN: THIS IS MY FIRST TIME  
14 PRESENTING TO THIS COMMITTEE. SO THANK YOU VERY  
15 MUCH FOR THIS OPPORTUNITY TO PRESENT ON BEHALF OF  
16 CIRM.

17 I'M MARIA MILLAN. I'M THE PRESIDENT AND  
18 CEO OF CIRM. I TOOK OVER OFFICIALLY IN SEPTEMBER,  
19 HAVE BEEN ON RANDY MILLS' LEADERSHIP TEAM PRIOR TO  
20 THAT, AND I SERVED AS INTERIM PRESIDENT AND CEO  
21 BEGINNING IN JULY. SO IT HAS BEEN A VERY SMOOTH  
22 TRANSITION, VERY COMMITTED TEAM, LEADERSHIP TEAM IS  
23 EXTREMELY STRONG, AND WE HAVE REMAINED COMMITTED TO  
24 THE STRATEGIC PLAN THAT YOU HEARD PRESENTED LAST  
25 YEAR WHEN CIRM HAD COME UP. AND OUR MISSION REMAINS

1 THE SAME, TO ACCELERATE STEM CELL TREATMENTS TO  
2 PATIENTS WITH UNMET MEDICAL NEEDS.

3 AND YOU HAD MENTIONED THE VALUE  
4 PROPOSITION AND HOW IS THIS BEING REALIZED AND HOW  
5 CAN WE MEASURE IT, AND HOW DO WE GO ABOUT IT. IN  
6 THINKING THROUGH OUR PROGRESS AND THINKING THROUGH  
7 THE CHALLENGES FOR THE FIELD, WHAT WE'VE COME TO  
8 REALIZE, AND THIS IS FROM FEEDBACK ALSO FROM THE  
9 COMMUNITY RESEARCHERS, DRUG DEVELOPERS, PATIENTS, IS  
10 THAT CIRM'S VALUE PROPOSITION IS RELATED TO ITS  
11 OFFERINGS, ITS COMPLEMENT OF OFFERINGS THAT SUPPORT  
12 BUILDING THE WORKFORCE, FOSTERING THE HIGHEST  
13 QUALITY RESEARCH IN CALIFORNIA, AND FUNDING THE  
14 PROGRAMS. AND RANDY MILLS, ALONG WITH THE  
15 LEADERSHIP TEAM, HAD INTRODUCED WHAT WE CALL THE  
16 TRAIN TRACK WHERE THERE'S A CONTINUOUS FUNDING  
17 OPPORTUNITY SO PROMISING SCIENCE DOESN'T FALL  
18 THROUGH THE CRACKS BEFORE IT CAN REACH THE PATIENT.

19 AND THEN, AS WELL, EDUCATION PROGRAMS AND  
20 CRITICAL INFRASTRUCTURE TO ADDRESS GAPS. SO WE  
21 BELIEVE THESE FIVE PILLARS ARE CRITICAL TO THE VALUE  
22 THE AGENCY BRINGS TO THE FIELD.

23 IN ADDITION, IN REAL-TIME, AND YOU'VE BEEN  
24 WITH US ON THIS JOURNEY, INSTITUTION OF THE CIRM 2.0  
25 PROCESSES HAS LED TO RESULTS AND HAS ACCELERATED OUR

1 INTERNAL OPERATIONS WHICH THEN IN TURN ACCELERATED  
2 THE RESEARCH. AND WE MEASURE OUR PERFORMANCE AND  
3 HAVE SEEN THAT BY INSTITUTING CIRM 2.0, AND WE'RE  
4 JUST ALMOST TWO YEARS INTO THIS, WE'VE CONTINUED TO  
5 SEE AN INCREASE IN ACTIVITY WITH COST EFFICIENCIES  
6 RELATED TO THE INCREASED ACTIVITIES THAT CIRM DOES  
7 IN OUR REVIEW PROCESS, GRANTING, AND MANAGEMENT OF  
8 AWARDS.

9 AND WE HAVE ALSO DECREASED THE TIME TO  
10 APPROVAL AND CONTRACTING WHILE INCREASING THE NUMBER  
11 OF AWARDS. SO WE'VE HAD INCREASING VOLUME AND  
12 DEMAND THAT HAVE INCREASED QUALITY AND PACE BY WHICH  
13 WE DO BUSINESS.

14 AND SO I BRING UP, AGAIN, THE STRATEGIC  
15 PLAN WHICH WAS PRESENTED TO YOU LAST YEAR. AS YOU  
16 WILL RECALL, WE CALL THEM THE BIG SIX. THE IDEA WAS  
17 THAT WE WOULD SET GOALS. AND ACTUALLY WHEN WE FIRST  
18 SET IT UP, BECAUSE IF YOU DON'T SET THE GOALS OFTEN,  
19 IT'S DIFFICULT TO FOCUS YOUR EFFORTS AND TO MEASURE  
20 SUCCESS AGAINST THE GOALS. SO WE SET VERY, VERY  
21 RIGOROUS GOALS AND GAVE THEM ALL A NUMBER OF 50: 50  
22 NEW CANDIDATES, 50 PERCENT OF PROJECTS PROGRESSING  
23 FROM ONE STAGE TO THE NEXT, GOING FROM THE SCIENCE  
24 TO THE TRANSLATION, FROM THE TRANSLATION TO THE  
25 CLINIC. AND THEN A KEY THING, WE'LL STICK WITH

1 THE 50S, ACCELERATE THE DEVELOPMENT OF THE SCIENCE  
2 TO THE CLINIC BY DECREASING THE TIME TO GET THERE BY  
3 50 PERCENT. AND VALIDATE TO GET 50 NEW CLINICAL  
4 TRIALS INTO CIRM'S PORTFOLIO.

5 SO JUST BY WAY OF CONTEXT, BEFORE WE  
6 LAUNCHED THE STRATEGIC PLAN IN JANUARY OF LAST YEAR,  
7 THERE WERE A TOTAL OF SEVEN CLINICAL TRIALS THAT HAD  
8 BEEN FUNDED IN OVER TEN YEARS. AND I'LL TELL YOU  
9 JUST IN A LITTLE WHILE, WHEN WE LAUNCHED A CLINICAL  
10 TRIAL BETWEEN JANUARY 2016 TO TODAY, WE FUNDED 26  
11 NEW CLINICAL TRIALS, TRIPLING OUR PORTFOLIO. SO  
12 SPEAKING TO THE MATURITY OF THE FIELD AND THE IMPACT  
13 THAT WE HAVE IN SHAPING THE PROGRESS IN THE FIELD.

14 AND THEN THE OTHER 50 IS TO PARTNER AT  
15 LEAST 50 PERCENT OF OUR UNPARTNERED PROGRAMS BECAUSE  
16 WE KNOW THAT PARTNERSHIP WITH INDUSTRY IS CRITICAL  
17 TO GET THIS OUT TO THE PATIENTS.

18 AND THEN IN THE MIDDLE OF THIS IS THE HOW  
19 TO, THE REFINING OUR GOAL, WHICH IS TO ENACT A  
20 BETTER AND MORE EFFICIENT REGULATORY PARADIGM. IN  
21 DECEMBER 2016, THE 21ST CENTURY CURES ACT WAS  
22 ENACTED BY CONGRESS, WHICH RECOGNIZED THE IMPORTANCE  
23 OF THE FIELD OF REGENERATIVE MEDICINE. THIS 21ST  
24 CENTURY CURES ACT, AMONG OTHER THINGS, CREATED AN  
25 EXPEDITED PATHWAY THROUGH THE FDA SPECIFICALLY FOR

1 STEM CELL REGENERATIVE MEDICINE PRODUCTS. AND NOT  
2 ONLY WAS IT PUT INTO LAW AND REQUIRED BY THE FDA,  
3 THE FDA HAS EMBRACED IT. THEIR NEW OFFICE THAT  
4 HANDLES THESE TYPES OF REVIEWS HAS A GOAL OF PUTTING  
5 OUT ONE EXPEDITED, WHAT THEY CALL R METHOD, A MONTH.  
6 SO TO ACTUALLY COMMIT TO A GOAL LIKE THAT IS A HUGE  
7 COMMITMENT.

8 AND THEY'VE ALSO REPORTED -- ONE OF OUR  
9 MEMBERS ATTENDED AN FDA MEETING A WEEK AND A HALF  
10 AGO. THEY REPORTED THAT THEY WERE TRYING TO  
11 INCREASE THEIR PERSONNEL IN ORDER TO HANDLE THESE.

12 IT'S VERY TELLING THAT OF THE VERY FIRST  
13 THREE OF THESE REGULATORY EXPEDITED DESIGNATIONS,  
14 THE FIRST THREE, TWO OF THEM WERE CIRM PROGRAMS.  
15 AND THEN WE WERE DOWN AT THE STEM CELL MEETING ON  
16 THE MESA, WHICH IS THE INDUSTRY MEETING, IN SAN  
17 DIEGO IN OCTOBER, AND THE FDA HAD PRESENTED THAT  
18 THERE WERE NINE OF THEM. AND AT THAT TIME CIRM HAD  
19 JUST RECEIVED THE THIRD PROGRAM IN ITS PORTFOLIO  
20 RECEIVED AN EXPEDITED PATH. SO ONE-THIRD OF THESE  
21 EXPEDITED DESIGNATIONS WERE CIRM PROGRAMS. SO NOT  
22 ONLY WERE WE INVOLVED IN THE CONVERSATION THAT LED  
23 TO THIS REFORM, BUT WE'RE USING IT. AND WE'RE IN  
24 CONVERSATIONS AND WE'RE BEING VERY, VERY ACTIVE AND  
25 APPROPRIATELY OPPORTUNISTIC TO HAVE THOSE CURRENTLY

1 WITH THE FDA.

2 SO WHY DON'T WE JUST PRESENT. THE LAST  
3 TIME THIS TEAM WAS HERE, RANDY MILLS HAD PRESENTED  
4 SOME RISKS TO THE STRATEGIC PLAN, AND I WANTED TO  
5 GIVE AN UPDATE ON HOW WE PERFORMED VERSUS THOSE  
6 RISKS.

7 ONE OF THE RISKS, WHEN WE STARTED THE GOAL  
8 OF 50 NEW CLINICAL TRIALS, THAT WAS SOMETHING THAT  
9 WAS A LEAP OF FAITH IN A WAY, AND WE KNEW WE SIGNED  
10 UP FOR SOMETHING REALLY, REALLY TOUGH BECAUSE, AS  
11 YOU KNOW, IT'S NOT A MATTER OF US JUST WANTING TO  
12 BRING IT IN, WE HAD THE HIGHEST RIGOR BY WHICH THESE  
13 PROPOSALS ARE JUDGED. SO BY OUR TEAM BEING VERY,  
14 VERY INVOLVED EVEN BEFORE APPLICATIONS COME IN TO  
15 MAKE SURE THAT APPLICANTS REALLY KNOW WHAT TYPE OF  
16 READINESS, WHAT STANDARDS ARE REQUIRED, WHAT TYPE OF  
17 INFORMATION WAS CRITICAL FOR OUR REVIEWERS TO MAKE  
18 AN INFORMED DECISION, AND WHAT PLAN IS SOMETHING  
19 THAT WE BELIEVE WOULD BE STRONG AND SOMETHING THAT  
20 WE COULD ALSO SIGN UP FOR BECAUSE, AFTER THEY GET  
21 AWARDED, WE OWN THIS WITH THEM IN ORDER TO SUCCEED.

22 BY DOING THAT, WE WERE NOT ONLY ABLE TO  
23 BRING IN 26 NEW TRIALS IN TWO YEARS, BUT THEY WERE  
24 EXTREMELY, EXTREMELY STRONG TRIALS WHERE OUR GWG,  
25 OUR GRANTS REVIEW GROUP, HAS GIVEN FEEDBACK THAT

1 THEY ARE INCREDIBLY EXCITED ABOUT THE QUALITY OF THE  
2 PROGRAMS.

3 SO IN TERMS OF THAT RISK, WE'RE PERFORMING  
4 WELL TO THAT. AND THEN, AGAIN, RELATED TO THAT IS  
5 THERE IS GOING TO BE INTEREST FROM QUALIFIED  
6 APPLICANTS. WELL, OUR CIRM TEAM WENT OUT WHAT WE  
7 CALL HUNTING, WHICH IS REALLY GOING OUT TO THE  
8 CONFERENCES, GOING OUT WHENEVER THEY MET WITH  
9 ACADEMIC AND INDUSTRY PARTNERS, TO REALLY TELL THEM  
10 WHAT CIRM REALLY HAS TO OFFER BY WAY OF FINANCIAL  
11 PARTNERSHIP IN GRANTS AS WELL AS TRUE PARTNERSHIP IN  
12 TERMS OF INVOLVEMENT. AND BECAUSE OF THAT, IT DROVE  
13 UP. PEOPLE CAME IN AND WE HAVE HAD RECORD NUMBERS  
14 OF QUALIFIED, HIGHLY QUALIFIED, APPLICANTS WHO IN  
15 THE PAST MAY NOT HAVE LOOKED AT THIS AS AN  
16 OPPORTUNITY FOR FUNDING THEIR PROGRAM, AND MAYBE MAY  
17 NOT HAVE EVEN PURSUED, PERHAPS, SOME OF THESE  
18 PROMISING PLATFORMS.

19 THE OTHER RISK THAT WAS IDENTIFIED WAS  
20 LIMITED TO PROP 71 FUNDING. WHAT WOULD THAT DO IN  
21 TERMS OF EMPLOYEE RETENTION AND RECRUITMENT? AND  
22 CHILA GAVE A VERY NICE OVERVIEW OF WE ARE IN A  
23 STEADY STATE EVEN THROUGH TRANSITION AND LEADERSHIP.  
24 NOT ONLY HAVE WE BEEN RETAINING EMPLOYEES, WE'VE  
25 ACTUALLY FILLED POSITIONS THAT WERE NEEDED WITH TOP

1 TALENT. AND SO HIGHLY, HIGH PERFORMING INDIVIDUALS.  
2 I GUESS PART OF THE -- IT KIND OF WORKED IN OUR  
3 FAVOR THAT THEY KNEW THAT THERE WAS THIS LIMITED  
4 TIME PERIOD, SO THE FOLKS WHO CAME IN WANTED TO DO  
5 IT FOR THE MISSION AND WANTED TO TAKE THE  
6 OPPORTUNITY FOR THAT PERIOD.

7 AND THEN THERE'S A RISK OF INSUFFICIENT  
8 INVESTOR INTEREST IN CELL THERAPY. NOW, I'LL JUST  
9 ADDRESS THE ATP3 QUESTION HERE. SO LAST YEAR RANDY  
10 HAD PRESENTED TO YOU THAT OUR BOARD HAD APPROVED AN  
11 INITIATIVE THAT WE WOULD HOPE COULD INCENTIVIZE  
12 INDUSTRY TO COME IN IN PARTNERSHIP TO CREATE A NEW  
13 ENTITY CALLED THE ATP3 WHERE CIRM WOULD PUT IN 75  
14 MILLION, THEY'D COME IN WITH 75 MILLION, CAPITALIZE  
15 A NEW COMPANY THAT COULD THEN AGGREGATE AND BUNDLE  
16 SOME ASSETS.

17 WE HAD VERY, VERY INTERESTED INDUSTRY  
18 APPLICANTS FOR THIS, BUT IT WAS JUST THE FINANCIAL  
19 TERMS WERE THINGS THAT THEY JUST COULDN'T REALLY  
20 WORK INTO WHAT THEIR CORPORATE KIND OF MANDATES  
21 WERE. SO WE ENDED UP NOT RUNNING THAT COMPETITION.  
22 BUT WHAT ACTUALLY HAPPENED FROM THAT WAS ALL THE  
23 CONVERSATIONS AND THE VISIBILITY OF THE CIRM  
24 PORTFOLIO, AND JUST THE PROGRESS THAT OUR PROJECTS  
25 WERE MAKING, IS THAT WE ACTUALLY HAVE HAD INCREASING

1 NUMBERS OF PARTNERSHIPS OF ADDITIONAL INVESTMENTS  
2 INTO OUR PROJECTS. SO IN 2016 THERE WERE THREE  
3 INDUSTRY PARTNERSHIPS, EITHER INVESTMENT OR  
4 IN-LICENSING OF THESE TECHNOLOGIES, AND IN THIS PAST  
5 YEAR WE HAD SIX OF THEM, INCLUDING VERY LARGE  
6 INVESTMENT EVEN INTO THE EARLY STAGE PROGRAMS THAT  
7 HAVE NOT EVEN GOTTEN INTO CLINICAL TRIALS YET OR  
8 JUST PREPARING FOR THAT.

9 IN TERMS OF REGULATORY HURDLES, I ALREADY  
10 KIND OF MENTIONED THIS. THE 21ST CENTURY CURES ACT  
11 HAS REALLY PROVIDED A PATHWAY NOW FOR ACCELERATION  
12 TO THE REGULATORY PATH TO GET THESE PRODUCTS IN  
13 DEVELOPMENT. SO HERE'S AN UPDATE IN TERMS OF  
14 EXPENDITURES IN 2017 FOR THE RESEARCH BUDGET.

15 WE HAVE AWARDED \$16 MILLION TO TWO  
16 ADDITIONAL ALPHA CLINICS. OUR ALPHA CLINICS  
17 NETWORK, YOU MAY HAVE HEARD OF IT LAST YEAR, WAS  
18 VERY SUCCESSFUL. AND BECAUSE OF THAT AND BECAUSE OF  
19 ITS POTENTIAL, OUR BOARD APPROVED FUNDING FOR TWO  
20 ADDITIONAL CLINICS. WE ACTUALLY HAD HIGHLY  
21 MERITORIOUS APPLICATIONS COME IN. WE ONLY HAD  
22 ENOUGH BUDGETED TO ADD TWO MORE. SO NOW WE HAVE  
23 FIVE CENTERS AND SIX UNIVERSITIES INVOLVED IN THE  
24 ALPHA CLINIC NETWORK.

25 WE HAVE FUNDED \$45 MILLION INTO 46

1 DISCOVERY PROJECTS, \$24 MILLION INTO SIX  
2 TRANSLATIONAL STAGE PROJECTS, AND \$213 MILLION INTO  
3 20 CLINICAL PROJECTS, AND A MILLION DOLLARS INTO  
4 EDUCATION THAT INCLUDE THE SPARKS AND BRIDGES  
5 PROGRAM THAT YOU'VE HEARD ABOUT IN THE PAST AS WELL  
6 AS CONFERENCE AWARDS.

7 IN TERMS OF LEVERAGE, THIS IS MAYBE RECENT  
8 INFORMATION THAT YOU'VE NOT SEEN IN THE PAST, WE  
9 LOOKED AT OUR GRANTS MANAGEMENT SYSTEM AND HAD OUR  
10 TEAM PULL UP HOW MUCH CO-FUNDING HAS BEEN BROUGHT IN  
11 BY OUR APPLICANTS. SO FOR VARIOUS AWARD CATEGORIES,  
12 WE REQUIRE THAT FOLKS COME IN WITH A CERTAIN  
13 PERCENTAGE OF CO-FUNDING. WE REQUIRE MORE FROM OUR  
14 INDUSTRY APPLICANTS THAN WE DO FROM ACADEMIA FROM  
15 THE EARLY STAGE PROGRAMS, AND THEN IT EQUALIZES  
16 LATER FOR THE LATER STAGE TRIALS.

17 MEMBER LOTT: (INAUDIBLE)?

18 DR. MILLAN: SO THE PERCENTAGE FOR  
19 FOR-PROFIT ORGANIZATIONS IS 30 PERCENT FOR PHASE 1  
20 TRIALS, 40 PERCENT FOR PHASE 2, AND 50 PERCENT FOR  
21 PHASE 3. FOR ACADEMICS WE REQUIRE NO CO-FUNDING FOR  
22 PHASE 1 BECAUSE WE BELIEVE THEY JUST NEED MORE HELP  
23 GETTING TO THE POINT THAT THEY CAN GET CO-FUNDING.  
24 AND THEN THEY EQUALIZE 40 PERCENT AND 50 PERCENT  
25 RESPECTIVELY FOR PHASE 2 AND 3.

1 SO ALMOST A BILLION DOLLARS IN CO-FUNDING  
2 HAS BEEN INVESTED BY OUR APPLICANTS, OF WHICH A  
3 GROWING AMOUNT IS COMING FROM NON-CALIFORNIA  
4 APPLICANTS, 50 MILLION TO DATE. BUT THAT NUMBER IS  
5 INCREASING BECAUSE FOLKS FROM OUTSIDE CALIFORNIA  
6 HAVE SEEN THE VALUE OF BRINGING THEIR ACTIVITIES TO  
7 CALIFORNIA. IN FACT, WE JUST FUNDED RECENTLY A  
8 TRIAL FOR ALS, LOU GEHRIG'S DISEASE, FROM AN ISRAELI  
9 COMPANY THAT HAS VERY PROMISING DATA INITIALLY FROM  
10 A PHASE 2 TRIAL THAT WAS CONDUCTED WITH VERY  
11 PROMINENT INVESTIGATORS AT THE MASS GENERAL AND  
12 OTHER PLACES IN THE NEURAL NETWORK IN THE U.S. THEY  
13 BROUGHT THAT PHASE 3 STUDY TO CALIFORNIA, SETTING UP  
14 SEVERAL SITES IN CALIFORNIA AND THE MANUFACTURING IN  
15 CALIFORNIA AS PART OF A MULTICENTER PHASE 3 TRIAL.  
16 AND THOSE CORPORATE APPLICANTS PUT IN THEIR  
17 CO-FUNDING BECAUSE IT'S REQUIRED. SO THAT COMES  
18 INTO CALIFORNIA. AND THAT'S INCREASING.

19 THE ADDITIONAL FUNDS, BECAUSE OF CIRM  
20 AWARDS, IS REPORTED BY MAINLY OUR ACADEMIC  
21 INVESTIGATORS WHO, BECAUSE OF CIRM AWARDS, HAD BEEN  
22 ABLE TO GET ADDITIONAL EITHER GIFT AWARDS FROM  
23 INDUSTRY OR PHILANTHROPIC AWARDS TO FURTHER SUPPORT  
24 THE RESEARCH. SO THE DONORS REALLY FIND IT VALUABLE  
25 THAT THEY WERE ABLE TO GET THIS AWARD BECAUSE IT

1 GOES THROUGH A VERY RIGOROUS PROCESS, AND THE  
2 CORPORATE PARTNERS SEE THAT IT'S GONE THROUGH ITS  
3 OWN DUE DILIGENCE. SO I THINK THAT ACADEMIC  
4 INVESTIGATORS HAVE REPORTED THIS AS EXTREMELY USEFUL  
5 IN LEVERAGING THEIR CIRM FUNDING. AND I BELIEVE  
6 THIS IS UNDERREPRESENTED, BUT AT LEAST PROBABLY MORE  
7 THAN 400 MILLION SO FAR RESULTING FROM FUNDING  
8 PARTNERSHIPS. WE HAVE PRESS RELEASES THAT YOU CAN  
9 LOOK ON THROUGH OUR CIRM WEBSITE OF ANY RECENT  
10 SERIES B ROUNDS, 50, \$70 MILLION FOR SOME OF THE  
11 EARLY STAGE TRIALS.

12 SO THE IDEA OF CIRM'S ROLE IN DERISKING  
13 THE EARLY RESEARCH WHEN OTHER INVESTORS DON'T COME  
14 IN SO THAT THEY CAN GET WHAT THEY NEED IN TERMS OF  
15 DATA TO THEN GET FOLLOW-ON FUNDING SO FAR HAS  
16 BEEN -- WE'RE STARTING TO SEE THAT PLAY OUT.

17 OKAY. SO AS YOU KNOW, WE HAVE TWO BUCKETS  
18 OF -- CHILA HAD PRESENTED THE ADMINISTRATIVE BUCKET,  
19 AND WE HAVE THE AWARD BUCKET THAT ARE TWO SEPARATE  
20 ENTITIES. SO JUST AN UPDATE ON HOW MUCH WE HAVE  
21 LEFT ON THE AWARD BUCKET OR THE RESEARCH BUCKET. WE  
22 HAVE \$350 MILLION AS OF THE END OF Q3, BY THE WAY.  
23 AND OUR BOARD JUST RECENTLY APPROVED SOME NEW  
24 AWARDS, SO IT'S CLOSER PROBABLY TO 330 MILLION. AND  
25 THAT'S INCLUDING SOME OF THE FUNDS THAT ARE RETURNED

1 INTO THE ACCOUNT. FUNDS COME BACK INTO THE ACCOUNT  
2 FOR A COUPLE OF REASONS. SOMETIMES TRIALS JUST  
3 DON'T WORK OUT. SO AS YOU KNOW, WE HAVE  
4 MILESTONE-BASED PAYMENTS. AND IF THERE'S A  
5 FEASIBILITY ISSUE OR FUTILITY WHERE THE  
6 INVESTIGATORS DECIDE, OKAY, WE HAVE RUN THIS TRIAL  
7 AND REALIZE THAT STATISTICALLY WE'RE NOT GOING TO BE  
8 ABLE TO GET WHAT WE NEED TO, SO WE'VE DECIDED TO  
9 STOP THE TRIAL BECAUSE THAT'S THE RESPONSIBLE THING  
10 TO DO AND IT'S WORKED INTO THE PROTOCOL. THAT MONEY  
11 WILL COME BACK, AND THAT CAN BE REALLOCATED BY CIRM  
12 FOR FUTURE AWARDS.

13 IN ADDITION, IF THEY ARE ABLE TO RUN THE  
14 TRIAL WITH FEWER PATIENTS, AND THAT'S ALLOWABLE BY  
15 THE FDA, THE IRB, AND THEIR PROTOCOL, SOME WILL JUST  
16 REFER THE FUNDS BACK TO THOSE PER-PATIENT COSTS THAT  
17 WEREN'T EXPENDED. SO THERE ARE VARIOUS WAYS, AND  
18 THROUGH THAT WE HAD \$44 MILLION RETURNED TO OUR CIRM  
19 RESEARCH BUDGET. AND THAT'S HOW WE GET TO THAT.

20 THIS IS MORE OF JUST INFORMATIONAL IN  
21 TERMS OF WHAT OUR PROGRAMS LOOK LIKE. AND SO IN  
22 TERMS OF OUR RESEARCH PROGRAMS, WE FUND THE TRAIN  
23 TRACKS FROM DISCOVERY, WHICH ARE NEW IDEAS GETTING  
24 TO THE POINT THAT WE DETERMINE THIS IS SOMETHING  
25 THAT COULD BE VALUABLE FOR HUMAN HEALTH. THAT'S THE

1 DISCOVERY PROGRAM. THE TRANSLATION ACTUALLY TAKES  
2 THAT AND GETS IT PREPARED SO THAT IT CAN BE  
3 EVALUATED BY THE FDA AS TO THE PLANS AND FEASIBILITY  
4 OF THE MANUFACTURING AND EVERYTHING ELSE. THE  
5 OUTCOME OF THE TRANSLATION PROGRAM IS TO GET TO A  
6 PRE-IND MEETING IN PREPARATION FOR THE CLINICAL  
7 STAGE. AND THEN WE HAVE CLINICAL STAGE AWARDS THAT  
8 FUND PREPARATION OF THE IND. THE IND IS THE  
9 PERMISSION FROM THE FDA TO PROCEED WITH THE CLINICAL  
10 TRIAL AS WELL AS CONDUCTING THE CLINICAL TRIAL.  
11 THOSE ARE THE CRITERIA FOR IT.

12 SO JUST A VERY QUICK UPDATE. THE  
13 DISCOVERY PROGRAM -- AND I PUT A LITTLE HEADING  
14 THERE. THEY COME FROM DISCOVERY. SO THIS IS WHERE  
15 THIS ALL STARTS -- WE HAVE 100 ACTIVE DISCOVERY  
16 PROJECTS IN THE CIRM PORTFOLIO. AND AS YOU CAN SEE  
17 HERE ON THIS PIE CHART, IT'S A VERY DIVERSE  
18 PORTFOLIO. AND THESE ARE THE DIFFERENT DISEASE  
19 INDICATIONS.

20 THE NEXT IS THE TRANSLATION PORTFOLIO. WE  
21 HAVE 20 ACTIVE TRANSLATION PROJECTS THAT ARE  
22 PREPARING TO BRING TO THE FDA A PLAN FOR HOW THESE  
23 WOULD BE DEVELOPED INTO SOMETHING THAT COULD  
24 EVENTUALLY BE TESTED IN CLINICAL TRIALS. AND WE  
25 HAVE 20 ACTIVE TRANSLATIONAL AWARDS, AGAIN, IN A

1 DIVERSE NUMBER OF DISEASE INDICATIONS AND TARGETS.  
2 AND THEN IN TERMS OF OUR CLINICAL  
3 PORTFOLIO, AS OF TODAY, WE HAVE 43 CLINICAL TRIALS  
4 WE'VE FUNDED, WHICH IS QUITE AMAZING AND PROBABLY IS  
5 THE LARGEST OUT THERE IN TERMS OF ANY ENTITY AND  
6 THEIR PORTFOLIO. IN FACT, WE THINK IT IS THE  
7 LARGEST OUT THERE. AND WE HAD A RECENT VISIT WITH  
8 THE NIH BECAUSE THEY WERE VERY INTRIGUED BY THE FACT  
9 THAT THERE WAS SUCH A ROBUST LATE DEVELOPMENT  
10 PORTFOLIO IN CALIFORNIA. AND WE'VE BEEN CONTINUING  
11 TO HAVE CONVERSATIONS WITH THEM. THE OFFICE OF THE  
12 DIRECTOR, FRANCES COLLINS, ACTUALLY INVITED THE CIRM  
13 TEAM OUT THERE TO LEARN ABOUT HOW WE DO BUSINESS,  
14 HOW WE ACTUALLY CAN GET THESE AWARDS OUT SO QUICKLY,  
15 AND HOW WE'RE ABLE TO DRIVE THEM TO THESE LATE  
16 STAGES. SO THAT'S BEEN REALLY A VERY GRATIFYING  
17 THING FOR US TO BE ABLE TO WORK TOGETHER WITH THEM.  
18 AND, AGAIN, TO JUST REEMPHASIZE THE CIRM  
19 OPERATIONAL EXCELLENCE THAT I MENTIONED EARLIER, THE  
20 VALUE PROPOSITION, IT'S BECAUSE OF THE ACTIVE  
21 ENGAGEMENT THAT WE DEPLOYED IN SHEPHERDING THE  
22 PROCESS THROUGH FROM EVEN BEFORE APPLICATION AND  
23 THEN POSTAWARD THROUGH OUR ADVISORY PANELS AND  
24 ACTIVE ENGAGEMENT TO TROUBLESHOOT, TO DO WHAT WE  
25 CAN, SINCE WE'VE AWARDED THESE AND INVESTED NOT JUST

1 MONEY, BUT OUR OWN EFFORT ON BEHALF OF THE PATIENTS.  
2 WE WANT THEM TO SUCCEED. AND SO BY DOING THAT,  
3 WE'VE ACTUALLY BEEN ABLE TO INCREASE THE PROGRESSION  
4 EVENTS. WE'VE INCREASED THE PERCENTAGE OF HITTING  
5 OUR MILESTONES ON TIME.

6 AND WE MEASURE THIS EVERY QUARTER. AND  
7 WE'VE REDUCED THE TIME THAT APPLICANTS HAVE NEEDED  
8 TO GO FROM GETTING ALL THE RESEARCH DONE AND  
9 SUBMITTING THE IND. WE HAVE CUT IT IN HALF. SO  
10 WHAT HAPPENED IS OUR REQUIREMENTS FOR OUR AWARDS NOW  
11 DICTATE -- HAVING COME TO THIS AWARD FOR THIS  
12 IND-ENABLING GRANT, THIS CLIN1 AWARD, AS WE CALL IT,  
13 YOU NEED TO BE 18 MONTHS AWAY FROM BEING ABLE TO  
14 FILE THE IND. SO ALL THE TIMELINES, THE FEASIBILITY  
15 CHECKED, EVERYTHING ELSE IS SOMETHING THAT OUR GWG  
16 LOOKS AT. WE MAKE MILESTONES BASED ON THAT  
17 PLANNING, AND WE DRIVE THEM TO IT. BECAUSE OF THAT,  
18 WE'VE BEEN ABLE TO ACHIEVE AN IND IN 18 MONTHS,  
19 WHICH IN THE PAST PEOPLE WOULD HAVE THOUGHT THAT  
20 THAT WAS JUST ABSOLUTELY OVERLY AGGRESSIVE. AND  
21 BECAUSE OF THAT, WE'VE HAD A GROWTH IN THE NUMBER OF  
22 HIGH QUALITY CLINICAL PROGRAMS IN OUR PORTFOLIO.

23 AND AS ALLUDED TO EARLIER, THIS TRANSLATES  
24 INTO MORE AND MORE PATIENTS BEING ENROLLED IN THESE  
25 CLINICAL TRIALS. SO IN AGGREGATE, THIS CHART, SLIDE

1 16, SHOWS THE CALIFORNIA FUNDED -- THIS IS JUST  
2 CALIFORNIA-FUNDED CLINICAL TRIAL PARTICIPANTS  
3 PARTICIPATING IN CIRM-FUNDED CLINICAL TRIALS.

4 THIS IS A LOT HIGHER WHEN YOU CONSIDER THE  
5 PARTNERS THAT WE'VE FUNDED THAT ARE OUTSIDE OF  
6 CALIFORNIA. AND IF WE ADDED IN ALL THE PATIENTS  
7 THAT THEY'VE ENROLLED IN OTHER SITES, WE'RE JUST  
8 COUNTING THE CALIFORNIA.

9 THIS IS A SNAPSHOT OF THE CLINICAL  
10 DASHBOARD, WHICH WE HOPE YOU WILL EXPLORE BECAUSE IT  
11 WAS MEANT TO BE SOMETHING THAT REALLY IS BETTER AT  
12 COMMUNICATING WHAT WE HAVE IN THE PORTFOLIO, NOT  
13 JUST TO SHOW WHAT WE'RE DOING, BUT ACTUALLY TO BE  
14 USEFUL TO PATIENTS AND THE COMMUNITY IN TERMS OF  
15 ACCESSING THESE STUDIES AND REALLY KNOWING WHERE THE  
16 FIELD IS GOING. SO THIS GETS UPDATED BY -- IT  
17 WAS --

18 FIRST OF ALL, KUDOS TO THE COMMUNICATION  
19 TEAM LED BY MARIA BONNEVILLE FOR EVEN GETTING THIS  
20 GOING, BUT IT'S UPDATED EVERY TIME WE HAVE NEW  
21 AWARDS THAT HAVE BEEN APPROVED BY OUR BOARD. AND  
22 WHAT'S REALLY COOL ABOUT IT, AND SOME OF YOU HAVE  
23 EXPLORED, IS THAT IT LISTS IN ITS ENTIRETY ALL OF  
24 OUR CLINICAL PORTFOLIO. IT HAS A RUNNING UPDATE ON  
25 HOW MANY TOTAL TRIALS AND A RUNNING UPDATE OF THE

1     PIE CHART OF WHAT THAT INVOLVES.  BUT THEN YOU CAN  
2     GO DEEPER AND DEEPER INTO IT AND LOOK ACCORDING TO  
3     DISEASE INDICATIONS OR AREAS, AND IT WILL JUST LIST  
4     THE TRIALS IN BOTH OF THESE AREAS IN A LIST FASHION,  
5     SUCH AS YOU SEE HERE ON THE SCREEN.

6             BUT THAT LITTLE ARROW TAKES YOU TO MUCH  
7     MORE DETAILED INFORMATION IN TERMS OF THE  
8     INVESTIGATOR, HOW MUCH WAS AWARDED.  AND THEN  
9     THERE'S EVEN ANOTHER -- I'M NOT SHOWING ALL OF IT.  
10    THEN IT SHOWS JUST WHAT THE TRIAL DESIGN LOOKS LIKE,  
11    AND THEN THERE'S A CONTACT PERSON THAT CAN BE  
12    IMMEDIATELY ACCESSED BY PATIENTS WISHING TO FIND OUT  
13    MORE INFORMATION AND ESSENTIALLY ENROLL IN THE  
14    TRIALS.  AND IT ALSO HAS UPDATES ON  
15    (UNINTELLIGIBLE).

16            AND SO IT'S BEEN SOMETHING THAT HAS BEEN  
17    EXTREMELY VALUABLE FOR ALL STAKEHOLDERS, POTENTIAL  
18    INVESTORS, PATIENTS, AND JUST THE COMMUNITY AND  
19    ACADEMIC INVESTIGATORS.

20            SO WHAT I'M GOING TO DO NOW IS, I JUST  
21    TOOK A SNAPSHOT FROM THE SCREEN, BUT I JUST WANTED  
22    TO HIGHLIGHT KIND OF SOME FEATURES OF THE TRIALS  
23    THAT WE'RE FUNDING.  AND IT'S A GOOD PROBLEM TO  
24    HAVE.  I CAN'T GO THROUGH ALL OF OUR CLINICAL  
25    TRIALS, BUT I WANTED TO HIGHLIGHT SOME ASPECTS OF

1 THESE TRIALS WHICH WE THINK ARE REALLY IMPORTANT TO  
2 HIGHLIGHT.

3 SO THIS ALS TRIAL BY CLIVE SVENDSEN IS  
4 BEING CONDUCTED AT CEDARS. ALS, AS YOU KNOW, IS LOU  
5 GEHRIG'S DISEASE, A REALLY TOUGH INDICATION. THE  
6 TRIAL IS CALLED "A GENE-MODIFIED STEM CELL FOR  
7 TREATMENT OF ALS." AND I THINK THE NOTABLE THING  
8 ABOUT THIS IS THAT WE'VE SUPPORTED DR. SVENDSEN FOR  
9 THE EARLY STAGE PROGRAM THAT LED TO HIM GETTING HIS  
10 IND. WE'RE ACTIVELY INVOLVED WITH HIM AND HIS TEAM  
11 AS THEY WERE SORTING THROUGH THE PROCESS TO GET THE  
12 IND. OUR ADVISORY BOARD, OUR CLINICAL ADVISORY  
13 PANEL, WAS ACTIVELY INVOLVED WITH HIM IN REALLY  
14 TESTING ASSUMPTIONS ABOUT THE BEST CLINICAL TRIAL  
15 DESIGN AND EVERYTHING ELSE. AND SO NOW IT'S IN  
16 CLINICAL TRIAL. IT WAS FUNDED AS RECOMMENDED BY OUR  
17 GWG AND SUPPORTED BY OUR BOARD.

18 ANOTHER TRIAL IN THE SAME INDICATION, ALS,  
19 IS ALSO BEING CONDUCTED, BUT IT'S BY A RECENT AWARD  
20 THAT WE MADE I ALLUDED TO EARLIER BY AN  
21 INTERNATIONAL COMPANY. THIS IS A LATER PHASE TRIAL,  
22 A PHASE 3 CLINICAL TRIAL, WITH A DIFFERENT PRODUCT.  
23 SO I JUST WANTED TO HIGHLIGHT WE ARE KIND OF  
24 AGNOSTIC IN TERMS OF DISEASE INDICATION AS LONG AS  
25 IT'S AN UNMET MEDICAL NEED. AND IN TERMS OF

1 PLATFORM, AS LONG AS THE SCIENCE IS BEHIND IT, THE  
2 GWG FEELS IT'S MERITORIOUS, THAT IT SHOULD BE TESTED  
3 BECAUSE WE DON'T KNOW WHO THE WINNER IS, AND IT  
4 COULD BE THAT CERTAIN PRODUCTS WILL ADDRESS CERTAIN  
5 SUBSETS OF PATIENTS. SO THIS IS A MULTICENTER TRIAL  
6 THAT WAS BROUGHT TO CALIFORNIA BECAUSE OF CIRM  
7 FUNDING.

8 NEXT SLIDE IS JAKE JAVIER. YOU'VE SEEN  
9 THIS. HE WAS IN OUR ANNUAL REPORT AND CAME TO OUR  
10 BOARD MEETING, A VERY BRAVE YOUNG MAN WHO SUSTAINED  
11 A CERVICAL SPINAL CORD INJURY. THE COMPANY ASTERIAS  
12 IS RUNNING THIS TRIAL. THEY'VE RECENTLY HAD SOME  
13 PRESS RELEASES TO REPORT PROMISING 12-MONTH DATA ON  
14 A SUBSET OF PATIENTS THAT TYPICALLY IN HISTORICAL  
15 DATABASES WOULDN'T HAVE SEEN THIS TYPE OF  
16 IMPROVEMENT THAT THEY WERE SEEING, SPINAL CORD LEVEL  
17 IMPROVEMENT IN MOTOR AND SENSORY IN HA PATIENTS,  
18 WHICH MEANS A COMPLETE DISRUPTION OF BOTH SENSORY  
19 AND MOTOR.

20 JAKE WAS PARALYZED FROM THE CHEST DOWN  
21 AFTER HE SUSTAINED A SWIMMING INJURY. AND HE'S  
22 REGAINED SOME OF THE USE OF HIS HANDS, ARMS, AND  
23 BACK. THAT'S THE DIFFERENCE BETWEEN BEING ABLE TO  
24 LEAD AN INDEPENDENT LIFE VERSUS NOT. SO THESE TYPES  
25 OF OBSERVATIONS NEED TO GO THROUGH THE RIGOROUS

1 ANALYSIS AND THE RESEARCH, BUT THERE'S A PROMISING  
2 SIGNAL. AND BECAUSE OF THIS, THE FDA HAVE LOOKED AT  
3 THE CLINICAL DATASET AND HAVE GIVEN THE COMPANY  
4 RECENTLY AND R EX DESIGNATION SO THAT THEY CAN WORK  
5 TOGETHER TO DESIGN THE BEST NEXT CLINICAL TRIAL TO  
6 CONFIRM THE PROMISING RESULTS THEY'RE SEEING.

7 AND THE (UNINTELLIGIBLE) THE DATA WHILE  
8 THE TRIAL IS STILL GOING ON, SO IT'S NO LONGER ABOUT  
9 GET US YOUR WHOLE PACKAGE AND WE'LL LOOK AT IT.  
10 WHILE THE DATA WAS COMING IN, THEY WERE ABLE TO HAVE  
11 CONVERSATIONS WITH THE FDA AND PUT THEM ON AN  
12 EXPEDITED TRACK.

13 THE NEXT TRIAL THAT I WANTED TO FEATURE  
14 WAS ONE THAT'S BEING CONDUCTED BY DR. TIPPI  
15 MACKENZIE, WHO'S A PEDIATRIC SURGEON AT UCSF. THE  
16 VERY COMPELLING THING ABOUT THIS TRIAL IS IT  
17 COMBINES SURGICAL INNOVATION WITH STEM CELL  
18 ADVANCEMENTS. THE IDEA IS ALPHA THALASSEMIA MAJOR,  
19 WHICH IS A FATAL BLOOD DISORDER, BABIES AFFLICTED  
20 WITH THIS OFTEN DON'T GO TO TERM. IT'S A FATAL  
21 DISEASE. THERE ARE SOME TREATMENTS FOR IT, BUT  
22 THEY'RE NOT RELIABLE. DR. MACKENZIE IS TESTING IN  
23 UTERO A BLOOD STEM CELL TRANSPLANT FOR TREATMENT OF  
24 THESE PATIENTS.

25 SO IF THE BABIES ARE TREATED IN THE WOMB,

1 THERE ARE A COUPLE OF ADVANTAGES. ONE, IT GETS THEM  
2 TO TERM. TWO, BECAUSE WHEN THEY'RE FETUSES, THEY'RE  
3 WHAT'S CALLED IMMUNOPRIVILEGED. THEY'RE JUST MORE  
4 APT TO ACCEPT THE TRANSPLANT FROM THE MOTHER AND  
5 THEY'RE TOLERIZED TO THE BLOOD CELLS. SO IT  
6 INCREASES THE PROBABLE SUCCESS OF THEM ACCEPTING  
7 THESE CELLS AS THEIR OWN BLOOD-FORMING CELLS AND,  
8 THEREFORE, CORRECTING THE UNDERLYING DISORDER. SO  
9 THAT'S AN EXCITING AND VERY UNIQUE TRIAL.

10 THE NEXT ONE YOU'VE HEARD ABOUT ALREADY IN  
11 THE PATH IS A SICKLE CELL DISEASE TRIAL BY DR. DON  
12 KOHN. YOU'VE HEARD OF DR. KOHN'S TRIAL WITH SEVERE  
13 COMBINED IMMUNODEFICIENCY SYNDROME. THE UNIQUE  
14 THING ABOUT THIS IT'S TARGETING SICKLE CELL DISEASE,  
15 WHICH IS A MAJOR FOCUS RIGHT NOW. AND IT'S BEEN A  
16 MAJOR FOCUS FOR A WHILE BECAUSE WE KNOW HOW  
17 CHALLENGING IT IS.

18 AND SO DR. KOHN AND HIS TEAM ARE USING  
19 GENE CORRECTION OF BLOOD STEM CELLS SO THAT THE  
20 PATIENT'S OWN BLOOD STEM CELLS CAN BE CORRECTED FOR  
21 THE DEFECT THAT LEADS TO SICKLING. AND THEN THOSE  
22 CELLS ARE TRANSPLANTED BACK INTO THE PATIENT, BUT  
23 IT'S THEIR OWN CELLS. THEY'RE NOT REJECTED AND THEY  
24 GIVE RISE TO THE NEW CELLS THAT CAN MAKE HEMOGLOBIN.

25 AND YOU'VE SEEN THIS FROM OUR LAST ANNUAL

1 REPORT. I JUST WANT TO SAY AN UPDATE ON THIS. THE  
2 IDEA OF CURATIVE TREATMENTS FROM STEM CELLS HAS BEEN  
3 SOMETHING THAT WAS INITIALLY FELT THAT IT WAS  
4 OVERPROMISED. SO THIS IS THE CRITICISM. YOU'RE  
5 PLAYING ON PEOPLE'S HOPES. BUT WHAT'S REALLY  
6 EXCITING NOW IS WE'RE SEEING ACTUAL CASES WHERE  
7 PATIENTS HAVE BEEN CURED BY STEM CELLS. AND SO THE  
8 TRIAL THAT DR. KOHN IS CURRENTLY FUNDED FOR TO  
9 CONFIRM THAT THIS IS DONE ON A BROADER BASIS WAS  
10 BASED ON RESULTS WITH OVER A DOZEN CHILDREN, LIKE  
11 EVIE, WHO HAD THE BUBBLE BABY DISEASE WHERE THEY  
12 WERE BORN WITHOUT AN IMMUNE SYSTEM.

13 WHEN EVIE WAS A BABY OVER FIVE YEARS AGO,  
14 SHE HAD HER BLOOD STEM CELLS TAKEN OUT, RECOVERED,  
15 AND CORRECTED FOR THE UNDERLYING DEFECT THAT LED TO  
16 A LACK OF IMMUNE SYSTEM, TRANSPLANTED BACK INTO HER.  
17 IT GAVE RISE TO NEW DAUGHTER CELLS THAT BECAME HER  
18 NEW IMMUNE SYSTEM. AND NOW FIVE YEARS OUT SHE STILL  
19 HAS A FUNCTIONING IMMUNE SYSTEM AS A RESULT OF THAT  
20 TRANSPLANT AND DOES NOT REQUIRE ANYTHING MORE THAN  
21 ANY FIVE- OR SIX-YEAR-OLD HER AGE AND SHE DOESN'T  
22 HAVE TO BE SCARED ABOUT A COLD BECOMING A FATAL  
23 EVENT.

24 SO EVIE AND BRENDEN WHITTAKER, WHO ALSO  
25 HAS A DIFFERENT TYPE OF DISORDER CALLED CHRONIC

1 GRANULOMATOUS DISEASE, THAT'S A DIFFERENT IMMUNE  
2 DEFECT USING THE SAME TYPE OF TECHNOLOGY CORRECTING  
3 A DIFFERENT THING. BRENDEN IS ALMOST TWO YEARS OUT  
4 WITH INDICATIONS THAT HIS BLOOD, HIS MACROPHAGES ARE  
5 ABLE TO DO WHAT THEY NEED TO DO TO FIGHT OFF  
6 BACTERIAL INFECTION; WHEREAS, IN THE PAST HE HAD  
7 LIFE-THREATENING, CHRONIC ABSCESES OR ANTIBIOTIC  
8 RESISTANCE.

9 SO THESE ARE TRUE CASES OF EARLY RESULTS,  
10 BUT THEY'RE THE BASIS, THEY'RE JUST THE STARTING  
11 POINT TO DO WHAT YOU NEED TO DO, WHICH IS CONFIRM  
12 THAT THIS CAN BE SOMETHING THAT'S DONE,  
13 COMMERCIALIZABLE ONCE IT'S GOTTEN APPROVAL FROM THE  
14 FDA TO HAVE IT MORE WIDELY DISTRIBUTED. SO THAT  
15 BUBBLE BABY DISEASE TRIAL, THE SCID TRIAL, IS NOW IN  
16 THE MIDST OF A CONFIRMATORY TRIAL THAT CIRM IS  
17 SUPPORTING. AND ONCE THE DATA FROM THAT IS  
18 OBTAINED, THAT WOULD BE SOMETHING THAT WOULD BE  
19 SUBMITTED TO THE FDA FOR MARKETING APPROVAL. AND  
20 THAT'S IN THE NEAR FUTURE.

21 THERE'S QUITE A BIT HERE, SO I THINK, IN  
22 THE INTEREST OF TIME, I'LL JUST SUFFICE IT TO SAY WE  
23 HAVE ALSO VERY INNOVATIVE APPROACHES TO LARGER  
24 DISEASES AS WELL. SO I TALKED ABOUT A LOT OF ORPHAN  
25 DISEASES. THIS IS TYPE 1 DIABETES, WHICH IS, IN

1 TERMS OF HEALTHCARE COST AND IMPACT IN OUR  
2 HEALTHCARE SYSTEM, IS A VERY IMPORTANT DISEASE  
3 INDICATION TO TARGET. SO WE HAVE FUNDING -- WE'RE  
4 FUNDING TWO CLINICAL TRIALS, ONE USING REGULATORY  
5 CELLS TO SUSTAIN THE IMMUNE SYSTEM SO IT DOESN'T  
6 DAMAGE RESIDUAL INSULIN-PRODUCING CELLS. AND THE  
7 OTHER ONE IS A REPLACEMENT THERAPY WITH EMBRYONIC  
8 STEM CELL-DERIVED PANCREATIC BETA ISLET PRODUCING  
9 CELLS. A COMPANY OUT OF SAN DIEGO, VIACYTE, HAS  
10 CREATED THIS TRIAL FOR TYPE 1 DIABETES.

11 THIS IS A REALLY EXCITING ONE, SO I DON'T  
12 WANT TO GLOSS OVER IT. THE CAR-T WE TALKED ABOUT  
13 EARLIER THAT NOW THERE ARE TWO FDA-APPROVED MARKETED  
14 PRODUCTS FOR WHAT'S CALLED LIVING MEDICINE, CELL  
15 THERAPIES THAT HAVE BEEN GENE MODIFIED TO FIGHT  
16 CANCERS FROM NOVARTIS JUST HAD GOTTEN THEIR APPROVAL  
17 SEVERAL MONTHS AGO. AND THE MOST RECENT GILEAD WHO  
18 ACQUIRED KITE THERAPEUTICS.

19 THOSE TYPES OF THERAPIES HAVE BEEN PASSED  
20 FOR JUST -- SO THEY'RE EXTREMELY HIGH RISK. IS THIS  
21 EVER GOING TO HAPPEN? AND NOW THERE ARE TWO  
22 MARKETED PRODUCTS. AND THE CONVERSATIONS NOW ABOUT  
23 REIMBURSEMENT AND ACCESS BECAUSE OF THAT BECAUSE NOW  
24 WE HAVE TWO ON THE MARKET.

25 CIRM ALSO HAS KIND OF NEXT GENERATION

1 CAR-T PRODUCTS IN OUR PORTFOLIO. AND THESE NEXT GEN  
2 CAR-T'S ARE ACTUALLY BASED ON MEMORY STEM CELLS, SO  
3 THEY ARE PERSISTENT. IF THERE'S RESIDUAL TUMORS,  
4 THE IDEA IS THAT THEY COULD BE RUBBED UP AGAINST  
5 BECAUSE THEY'RE MEMORY IMMUNE CELLS. ONE OF THEM IS  
6 BEING PURSUED BY THE CITY OF HOPE TEAM, CHRISTINE  
7 BROWN, WITH MODIFIED CAR-T CELLS MADE FROM MEMORY  
8 STEM CELLS THAT HAS A UNIQUE PROTEIN THAT THEY  
9 RECOGNIZE. AND THESE ARE THE ONES THAT ARE ALREADY  
10 APPROVED FOR BLOOD CANCERS, BUT THIS IS FOR SOLID  
11 CANCERS, UNTREATABLE GLIOBLASTOMAS. SHE HAD A *NEW*  
12 *ENGLAND JOURNAL OF MEDICINE* PAPER WHICH IS REALLY  
13 COMPELLING IN TERMS OF ACTUALLY VISIBLY SEEING  
14 TUMORS JUST GO AWAY, NOT ONLY IN THE BRAIN, BUT IN  
15 THE SPINAL CORD. AND THAT IS PROCEEDING.

16 OKAY. MY POINT IS THERE ARE A LOT OF  
17 TRIALS. SO I THINK I CAN MAYBE JUST STOP THERE. WE  
18 HAVE BLINDING EYE DISEASES TRIALS. AND WE ENCOURAGE  
19 YOU TO PLEASE STAY CONNECTED TO OUR WEBSITE BECAUSE  
20 THERE'S A WEALTH OF INFORMATION, AND PLEASE ALSO  
21 GIVE US FEEDBACK ON THE WEBSITE IF THERE'S SOMETHING  
22 THAT'S NOT QUITE CUTTING IT IN TERMS OF GETTING THAT  
23 INFORMATION ACROSS AS WELL AS WE COULD OR IT'S NOT  
24 AS UNDERSTANDABLE AS YOU BELIEVE IT CAN BE OR THERE  
25 ARE ELEMENTS THAT YOU'D LIKE IN THERE. WE'D REALLY

1 APPRECIATE THAT. WE'RE REALLY COMMITTED TO MAKING  
2 SURE WE ARE DOING WHAT WE CAN TO KEEP EVERYBODY  
3 INFORMED AND ENGAGED AND IMPROVE ACCESS FOR ALL  
4 PATIENTS OF THE COMMUNITY. THANK YOU.

5 CHAIRWOMAN YEE: THANK YOU, DR. MILLAN.  
6 QUESTIONS OR COMMENTS?

7 MR. LOTT: THANK YOU, DR. MILLAN.  
8 CONGRATULATIONS.

9 DR. MILLAN: REALLY APPRECIATE THAT.

10 CHAIRWOMAN YEE: (INAUDIBLE). I THINK ONE  
11 OF THE THINGS WE'VE LOOKED AT AND THE QUESTION THAT  
12 COMES TO MIND IS ABOUT YOUR SUCCESS. THERE'S SO  
13 MUCH HAPPENING. A BIG BODY OF WORK (INAUDIBLE). SO  
14 JUST AS HOW WE MEASURE SUCCESS, BACK TO THE  
15 STAKEHOLDERS, PATIENTS, OR DONORS, INVESTORS  
16 (INAUDIBLE). HOW (INAUDIBLE). WHAT HAPPENS  
17 (INAUDIBLE)? ALL THESE QUESTIONS. (INAUDIBLE) IS  
18 SO DYNAMIC THAT (INAUDIBLE).

19 DR. MILLAN: THANK YOU FOR THAT BECAUSE  
20 THIS IS SOMETHING THAT WE REALLY DISCUSS INTERNALLY  
21 BECAUSE WE ARE SO EXCITED ABOUT WHAT THIS IS LEADING  
22 TO. AND WE WITNESS IT ON A DAILY BASIS. AND WHEN  
23 WE HAVE INTERACTIONS AND DISCUSSIONS WITH PARTNERS,  
24 THEN HOW DO YOU REFLECT THAT? I THINK THERE ARE  
25 THINGS THAT WE CAN MEASURE.

1 SO, FOR INSTANCE, ONCE WE START GETTING  
2 THESE PRODUCTS TO MARKETING, SO THAT'S GOING TO BE A  
3 VERY CLEAR MEASURE OF SUCCESS. AND, OF COURSE, THE  
4 NUMBERS OF TRIALS THAT ARE TARGETING THESE  
5 INDICATIONS, I THINK WE ALREADY HAVE THAT.

6 IN TERMS OF FOLLOWING THE DOWNSTREAM  
7 IMPACT OF THIS, THAT'S ALWAYS BEEN A REALLY TOUGH  
8 CHALLENGE BECAUSE SO MUCH COMES OUT OF OUR RESEARCH  
9 THAT WE CAN'T EVEN CAPTURE. SO WE NEED TO FIGURE  
10 OUT WHAT THE OVERALL IMPACT IS TO THE INDUSTRY, TO  
11 THE FIELD AND THEN MAKE A REALLY, REALLY TANGIBLE  
12 CONNECTION WHERE WE CAN. AND WE NEED TO LOOK AT  
13 THAT. WE WERE TALKING ABOUT THERE ARE OTHER  
14 ORGANIZATIONS LOOKING AT THIS AS WELL, BUT THE  
15 ALLIANCE FOR REGENERATIVE MEDICINE IS LOOKING AT HOW  
16 WE LOOK AT ECONOMIC IMPACT AND VALUE AND HOW WE  
17 START LOOKING AT THE VALUE STORY FOR ALL THESE  
18 PRODUCTS.

19 AND SO WE ARE ACTIVELY ENGAGED IN THOSE  
20 CONVERSATIONS, AND WE'LL BE PARTICIPATING IN THE  
21 WORK STREAM TO DRIVE AT THAT. AND HOPEFULLY WE CAN  
22 BRING THAT IN AS WELL SPECIFICALLY FOR OUR CIRM  
23 PROGRAMS AND THE CALIFORNIA ACTIVITIES.

24 CHAIRWOMAN YEE: RIGHT.

25 DR. MILLAN: SO I DON'T HAVE -- I GUESS MY

1 ANSWER IS WE ARE DEFINITELY LOOKING AT THAT AND HOPE  
2 THAT THE NEXT TIME WE'LL HAVE AT LEAST A LITTLE BIT  
3 MORE IN THAT REGARD.

4 CHAIRWOMAN YEE: RIGHT. RIGHT. I  
5 APPRECIATE THAT. (INAUDIBLE).

6 DR. MILLAN: FOR SOME STAKEHOLDERS,  
7 MANUSCRIPTS AND FOLLOW-ON GRANTS. BY THE WAY, WE  
8 HAVE HAD FOLLOW-ON GRANTS THAT OUR INVESTIGATORS  
9 SENT TO US BECAUSE OF CIRM BECAUSE WE ACTUALLY HAD  
10 SOME JOINT BUSINESS WITH NIH EMANATING FROM THAT  
11 MEETING THAT I ALLUDED TO. AND IT LED TO THEM BEING  
12 CHOSEN IN SOME OF THE INITIATIVES FOR BUILDING  
13 CENTERS OF EXCELLENCE. SO BY MERGING KIND OF THE  
14 CENTERS OF EXCELLENCE WE'VE BROUGHT TO CALIFORNIA  
15 AND IS NOW RECOGNIZED THAT, YES, CALIFORNIA HAS  
16 THESE CENTERS OF EXCELLENCE. AND WE SHOULD REALLY  
17 MAKE SURE THAT WE COMBINE FORCES IN ATTACKING SOME  
18 OF THE REALLY DIFFICULT DISEASES SUCH AS SICKLE CELL  
19 AND SOME OF THESE CANCERS THAT ARE CURRENTLY...

20 CHAIRWOMAN YEE: THANKS. WELL, WE LOOK  
21 FORWARD TO THAT.

22 DR. MILLAN: THANK YOU VERY MUCH.

23 CHAIRWOMAN YEE: THANK YOU VERY MUCH, DR.  
24 MILLAN.

25 NEXT ITEM ON THE AGENDA WILL BE THE FUTURE

1 UPDATE.

2 CHAIRMAN THOMAS: MADAM CHAIRWOMAN AND  
3 MEMBERS OF THE COMMISSION, IT IS, AS ALWAYS, A  
4 PRIVILEGE TO COME TO GIVE YOU COMMENTS ON CIRM AND  
5 THE VARIOUS ASPECTS OF THINGS THAT HAVE HAPPENED  
6 OVER THE PAST YEAR. BEFORE I GET TO MY  
7 PRESENTATION, I WANTED TO JUST MAKE A FEW COMMENTS  
8 ABOUT THREE TOPICS.

9 ONE IS ABOUT DR. MILLAN, TWO IS ABOUT THE  
10 SORT OF STATE OF THE FIELD AND WHERE CIRM IS IN IT,  
11 AND THE THIRD IS ABOUT FOLLOWING SOMETHING THAT DR.  
12 MILLAN SAID ABOUT NIH. I THINK WE'LL START WITH THE  
13 LAST ONE AND WORK FORWARD.

14 SO THIS IS VERY INTERESTING. SO WHEN CIRM  
15 WAS FIRST -- I THINK YOU WILL APPRECIATE THIS. WHEN  
16 CIRM WAS FIRST SET UP, THE PRACTICES AND PROCEDURES  
17 THAT CIRM HAD AT INITIATION WAS PATTERNED AFTER WHAT  
18 WAS DONE AT NIH IN TERMS OF GRANT REVIEW AND AWARDS  
19 AND COMPLIANCE AND ALL THAT SORT OF THING. AND WE  
20 ARE VERY CAREFUL TO ADHERE TO THOSE LONG-STANDING  
21 PROCEDURES AND PROCESSES OF EXCELLENCE.

22 WE GOT A CALL FROM THE NIH RECENTLY WHICH  
23 SAID, ESSENTIALLY, WE REALLY HEAR THAT WHAT YOU GUYS  
24 ARE DOING IS REALLY GREAT STUFF. AND WE WOULD  
25 REALLY LIKE TO MEET WITH YOU TO LEARN ABOUT IT. AND

1 THAT LED TO A MEETING THAT WAS SUPPOSED TO BE A HALF  
2 A DAY AT NIH AND ENDED UP BEING TWO FULL DAYS WHERE  
3 WE WERE DESCRIBING WHAT WE'RE DOING.

4 SO WE STARTED OUT PATTERNING OURSELVES  
5 AFTER NIH, AND WE FAST FORWARD TO TODAY AND NIH IS  
6 NOW LOOKING AT WHAT WE DO AS THE MODEL FOR THIS  
7 PARTICULAR SORT OF PROCEDURE IN REGENERATIVE  
8 MEDICINE. SO WANTED YOU TO KNOW THAT BECAUSE THAT'S  
9 KIND OF COOL, WE THINK.

10 IN TERMS OF THE FIELD, I THINK WE CAN  
11 SAFELY SAY, AS WE ALL KNOW, THAT WE ARE FORTUNATE TO  
12 BE LIVING IN AN ERA OF DRAMATIC DEVELOPMENTS IN  
13 BIOLOGICAL AND MEDICAL RESEARCH AND AN ACCELERATION  
14 OF POTENTIAL THERAPIES AND CURES ACROSS THE BOARD,  
15 NOT JUST IN REGENERATIVE MEDICINE, BUT COVERING ALL  
16 SORTS OF DIFFERENT AREAS. I THINK HISTORY WILL  
17 WRITE THAT THIS IS, INDEED, A GOLDEN ERA OF  
18 SCIENTIFIC DISCOVERY, AND REGENERATIVE MEDICINE IS  
19 SQUARELY IN THE MIDDLE OF THAT.

20 WE HAVE EVERY YEAR A NUMBER OF MEETINGS  
21 THAT WE GO TO THAT ARE SORT OF INDICATIONS OF WHERE  
22 THE INDUSTRY STANDS AND THE FIELD STANDS. THESE  
23 INCLUDE EVERY YEAR THERE'S A JP MORGAN CONFERENCE IN  
24 SAN FRANCISCO THAT BRINGS TOGETHER INVESTORS AND  
25 COMPANIES. THERE'S AN ANNUAL MEETING OF THE

1 INTERNATIONAL SOCIETY OF STEM CELL RESEARCHERS,  
2 ISSCR, THAT BRINGS TOGETHER ALL THE SCIENTISTS FROM  
3 AROUND THE WORLD. WE HAVE THE ALLUDED TO MEETING ON  
4 THE MESA WHICH IS AN OCTOBER MEETING WHICH BRINGS  
5 TOGETHER, AGAIN, COMPANIES, INVESTORS, PATIENT  
6 ADVOCATES, AND A VARIETY OF OTHER MEETINGS WHICH  
7 CULMINATE IN SOMETHING CALLED THE WORLD STEM CELL  
8 SUMMIT, WHICH IS LESS SCIENTIFIC AND MORE DIRECTED  
9 TOWARDS PATIENTS, TO GIVE THEM THE LATEST AND  
10 GREATEST OF WHAT'S GOING ON.

11 EVERY YEAR WE COME OUT OF THAT THINKING  
12 THAT THE FIELD CONTINUES TO ACCELERATE, THE  
13 OPPORTUNITIES CONTINUE TO MULTIPLY. THERE'S GREAT  
14 STUFF BEING DONE IN THE REGENERATIVE MEDICINE FIELD.  
15 AND CIRM IS SQUARELY IN THE MIDDLE OF IT. IF YOU  
16 TALK TO ANYBODY OUTSIDE OF CALIFORNIA WHO ANNUALLY  
17 STRUGGLES FOR FUNDING FOR THEIR RESEARCH, THEY ALL  
18 POINT WISTFULLY TO CIRM AS SOMETHING THAT THEY WISH  
19 THEY HAD ACCESS TO IN THEIR STATE, AND THEY  
20 ACKNOWLEDGE THAT WHAT IT'S DONE HAS LED TO A  
21 TREMENDOUS INFLUX OF TALENT TO SUPPLEMENT WHAT WAS  
22 ALREADY A VERY LARGE POOL OF TALENT IN THE STATE.  
23 AND MORE AND MORE PEOPLE COME IN THE HOPES OF  
24 GETTING ACCESS TO RESEARCH DOLLARS THAT CIRM  
25 PROVIDES.

1 SO I JUST WANTED TO REPORT TO YOU THAT WE  
2 ARE AND ALWAYS HAVE BEEN CONSIDERED REALLY THE MAJOR  
3 PLAYER IN THIS FIELD ASIDE FROM NIH, AND WE'RE VERY  
4 DIFFERENT IN WHAT WE FUND FROM THEM. AND YOU'RE  
5 SEEING THE RESULTS OF THAT SORT OF THING IN THE  
6 PRESENTATION THAT DR. MILLAN GAVE TO YOU WHICH WE  
7 THINK IS VERY EXCITING AND IS REALLY INEXORABLY  
8 HEADING TOWARDS GENERATING THE RESULTS THAT THE  
9 VOTERS WOULD WANT WHEN THEY PASSED PROPOSITION 71.  
10 IT MAY NOT BE AS QUICKLY AS EVERYBODY WOULD LIKE,  
11 BUT THE REALITY OF THINGS IS SCIENCE MOVES AT ITS  
12 OWN PACE. AND WE ARE, WE THINK, MOVING AT ABOUT AS  
13 ACCELERATED A PACE AS YOU CAN POSSIBLY GET AND WILL,  
14 AT THE END OF THE DAY, SEE A NUMBER OF OUR PROJECTS  
15 LEAD TO THERAPIES AND HOPEFULLY CURES.

16 MY LAST INTRODUCTORY COMMENT IS ABOUT DR.  
17 MILLAN. ONE OF THE BIG DEVELOPMENTS OF THE YEAR  
18 OBVIOUSLY HAS BEEN DR. MILLAN TAKING OVER AS  
19 PRESIDENT AND CEO OF CIRM. SHE DIDN'T GIVE YOU A  
20 LOT OF HER BACKGROUND, BUT SHE COMES FROM A VERY  
21 DISTINGUISHED CAREER AS A TRANSPLANT SURGEON,  
22 SOMEBODY WHO IS INTIMATELY ACQUAINTED WITH STEM CELL  
23 RESEARCH AND THE FUNDAMENTALS OF IT. SHE'S BEEN IN  
24 THE REGENERATIVE MEDICINE INDUSTRY SPACE AND SORT OF  
25 COMES TO US FIVE YEARS AGO WITH A TREMENDOUS

1 BACKGROUND THAT LOOKED TO BE SOMETHING THAT WOULD  
2 GREATLY CONTRIBUTE TO WHAT WE DO.

3 SHE FOR THOSE FIVE YEARS REALLY WAS  
4 INSTRUMENTAL IN A NUMBER OF AREAS, AND IN THE THREE  
5 YEARS THAT DR. MILLS WAS OUR PRESIDENT AND CEO WAS  
6 HIS RIGHT-HAND PERSON WHO WAS THERE TO GIVE CRITICAL  
7 INPUT INTO EVERYTHING THAT CIRM DID AND IMPLEMENTED  
8 IN THOSE DAYS.

9 I'LL JUST HIGHLIGHT ONE THING. SHE WAS,  
10 AS NOTED BY CHILA, BROUGHT IN TO HEAD OUR  
11 THERAPEUTICS TEAM WHICH WAS CHARGED WITH SOURCING  
12 CLINICAL TRIALS. WE HAVE THIS GOAL OF TEN NEW ONES  
13 PER YEAR. MID-2016 WE HAD TWO, AND THAT WAS LOOKING  
14 A LITTLE DICEY. SHE CAME IN MIDYEAR AND MANAGED BY  
15 THE END OF 2016 TO HAVE US UP TO OUR TEN QUOTA FOR  
16 THAT YEAR AND SINCE HAS BLOWN THROUGH THAT, AS YOU  
17 HEARD, THIS YEAR.

18 WHEN DR. MILLS DECIDED HE WAS GOING TO  
19 TAKE A POSITION WITH THE NATIONAL MARROW DONOR  
20 PROGRAM, WE WERE EXTRAORDINARILY FORTUNATE TO HAVE  
21 SOMEBODY WHO WAS INTIMATELY INVOLVED WITH EVERYTHING  
22 CIRM HAD BEEN DOING, HIGHLY QUALIFIED TO LEAD. AND  
23 AS I SAID AT THE MEETING WHERE WE FORMALLY APPOINTED  
24 HER AS FULL-TIME CEO AND PRESIDENT SHE IS, IN MY  
25 OPINION, EXACTLY THE RIGHT PERSON FOR THE RIGHT TIME

1 TO TAKE CIRM FROM WHERE WE ARE ON TO THE NEXT STEP  
2 AND TO HIGHER AND HIGHER LEVELS. AND I THINK THAT  
3 YOU GOT A GOOD FEELING FOR THAT BY HER PRESENTATION  
4 AND ALL THE GREAT THINGS THAT ARE HAPPENING UNDER  
5 HER LEADERSHIP.

6 SO I JUST WANTED TO SAY, DR. MILLAN, WE  
7 ARE VERY, VERY FORTUNATE THAT YOU ARE HERE, AND THE  
8 STATE OF CALIFORNIA SHOULD FEEL THAT WAY AS WELL.

9 SO WITH THOSE AS INTRODUCTORY COMMENTS,  
10 ONE OF THE BIG ISSUES THAT WE'RE FACING, OF COURSE,  
11 IS OUR FUNDING IS DUE TO RUN OUT. AND THAT IS A  
12 FRONT-BURNER ISSUE. I'M GOING TO GIVE YOU A LITTLE  
13 PRESENTATION ON WHERE WE ARE.

14 THIS IS 2017, SO OBVIOUSLY THESE  
15 DISCUSSIONS ARE, BY DEFINITION, SOMEWHAT  
16 PRELIMINARY, BUT YOU CAN'T BE TOO EARLY ON THIS  
17 STUFF BECAUSE IT'S OUR FEELING THAT WE HAVE THIS  
18 PORTFOLIO THAT REALLY IS SECOND TO NONE. AND WE  
19 STRONGLY ARE OF THE OPINION THAT IT NEEDS TO  
20 CONTINUE LEST MANY OF THE PROJECTS THAT WE HAVE  
21 DON'T GET TO THE CRITICAL POINT WHERE THEY ARE  
22 SUFFICIENTLY DEMONSTRATING PROOF OF CONCEPT TO  
23 ATTRACT INDUSTRY TO TAKE THEM BEYOND. AND SO A  
24 BUNCH OF THE PROJECTS WOULD JUST SORT OF HIT THE  
25 WALL IF WE DON'T GET ADDITIONAL FUNDING, WHICH WOULD

1 NOT BE A GOOD THING FOR THEM. IT WOULD BE A VERY  
2 BAD THING FOR THE FIELD BECAUSE OF THE LEADERSHIP IN  
3 THE WORLD THAT SCIENTISTS AFFILIATED WITH CIRM HAVE.

4 SO HAVING SAID THAT, OUR GOAL IS TO  
5 IDENTIFY STRATEGIES TO SUSTAIN THE AGENCY BEYOND THE  
6 CURRENT PROP 71 FUNDING. BY WAY OF A LITTLE  
7 BACKGROUND, OUR STRATEGIC PLAN LAID OUT GOALS THAT  
8 YOU'VE SEEN FROM DR. MILLAN'S PRESENTATION. AT THE  
9 TIME WE ENACTED IT, IT WAS ANTICIPATED WE'D BE  
10 RUNNING OUT OF FUNDS SOMETIME IN MID-2020. THAT I  
11 THINK WE WOULD MODIFY SLIGHTLY TO SAY THAT WE  
12 ANTICIPATE RUNNING OUT NO LATER THAN MID-2020. AS  
13 WE CONTINUE TO SEE AN INCREASED NUMBER OF HIGHLY  
14 QUALIFIED PROJECTS, THAT MAY ACCELERATE THE TIMING  
15 FOR RUNNING OUT OF THOSE FUNDS.

16 GENERALLY SPEAKING, BASED ON RECENT  
17 BUDGETS, WE THINK WE NEED ABOUT 210 TO 250 MILLION  
18 IN ANY GIVEN YEAR TO CONTINUE THE PROGRAMS AT THE  
19 HIGH LEVEL THEY CURRENTLY EXIST AT. WE HAVE AN  
20 ADMINISTRATIVE FUND THAT CURRENTLY CAN TAKE US  
21 THROUGH EARLY 2021 COURTESY OF A COUPLE OF VERY  
22 GENEROUS GIFTS. AND SO THE BIG QUESTION IS WHAT CAN  
23 WE DO, WHEN WE GET TO 2020, TO CONTINUE. WE'RE AT A  
24 CRITICAL STAGE. DR. MILLAN HAS REFERENCED THIS.  
25 WE'VE GOT ALL THESE GREAT THINGS GOING. I DON'T

1 NEED TO SORT OF REPEAT WHAT SHE SAID. I THINK YOU  
2 HAVE A GREAT FLAVOR FOR THAT, AND IT'S REALLY SORT  
3 OF CIRM IS KIND OF, EVEN THOUGH IT'S TOWARDS THE END  
4 OF FUNDING, IT'S REALLY IN THE MIDLIFE OF THE FIELD  
5 DEVELOPING BECAUSE, AS MORE AND MORE THINGS GET TO  
6 TRIAL, MORE AND MORE THINGS ULTIMATELY WILL GET OUT  
7 OF TRIALS AND GENERATE PRODUCTS THAT WOULD RESULT IN  
8 CURES, ETC., BUT WE'RE RIGHT IN THE MIDDLE OF IT  
9 RIGHT NOW. SO THIS IS A VERY CRITICAL PERIOD.

10 CHAIRWOMAN YEE: CAN YOU JUST TELL US  
11 ABOUT THE (INAUDIBLE)?

12 CHAIRMAN THOMAS: SURE.

13 CHAIRWOMAN YEE: SO THAT'S A COMBINATION  
14 (INAUDIBLE)?

15 CHAIRMAN THOMAS: YES. THAT'S CORRECT.  
16 YEAH.

17 SO IN OUR JUNE BOARD MEETING, I INTRODUCED  
18 THE NOTION THAT WE NEEDED TO FORM A SUBCOMMITTEE TO  
19 START LOOKING AT POTENTIAL WAYS TO CONTINUE OUR  
20 MISSION AND SAID THAT WE WOULD FORM A SO-CALLED  
21 TRANSITION SUBCOMMITTEE TO START THE DIALOGUE ON THE  
22 SUBJECT. AND THAT SUBCOMMITTEE, AS WITH ALL OUR  
23 CIRM SUBCOMMITTEES, IS MADE UP OF A CERTAIN NUMBER  
24 OF MEMBERS OF OUR BOARD, IN THIS CASE ELEVEN  
25 MEMBERS. IT WAS A POPULAR SUBCOMMITTEE. PEOPLE

1 HAVE A LOT OF INTEREST IN THIS.

2 AND THE OBJECT FOR OUR FIRST MEETING,  
3 WHICH WE HELD ON SEPTEMBER 18TH, WAS TO THROW OUT A  
4 NUMBER OF DIFFERENT OPTIONS JUST TO GET INITIAL  
5 FEEDBACK FROM MEMBERS OF THE SUBCOMMITTEE ABOUT WHAT  
6 THEY THOUGHT ABOUT THE VARIOUS IDEAS.

7 AND AT THAT MEETING WE TALKED ABOUT SORT  
8 OF A NUMBER OF THINGS. OBVIOUSLY NEEDING FUNDS OF  
9 THE MAGNITUDE THAT WE WOULD NEED TO SUSTAIN OUR  
10 EFFORT AT THE LEVEL THAT IT'S CURRENTLY AT, YOU  
11 REALLY NEED A VERY BIG TICKET VEHICLE TO ACCOMPLISH  
12 THAT, AND OBVIOUSLY THE ONE THAT WORKED ORIGINALLY  
13 AND IS THE MOST LOGICAL WOULD BE TO CONTEMPLATE  
14 ANOTHER BOND MEASURE.

15 WE TALKED ABOUT SORT OF 2018 VERSUS 2020.  
16 FOR A VARIETY OF REASONS WE FELT THAT 2020 WAS THE  
17 BETTER OF THE TWO OPTIONS. ONE OF THE BIGGEST  
18 REASONS FOR THAT IS, WITH EACH PASSING YEAR, THE  
19 FIELD PRODUCES MORE AND MORE DEVELOPMENTS THAT CAN  
20 BE REPORTED TO THE PUBLIC THAT ARE THE FRUITS OF THE  
21 CIRM FUNDING, AND GIVING YOURSELF A LITTLE MORE TIME  
22 TO DO THAT WE THOUGHT MADE A LOT OF SENSE. WE ALSO  
23 THOUGHT THAT THE GENERAL ELECTION IN 2020 WAS A GOOD  
24 ONE TO FOCUS ON AS THE ELECTION OF CHOICE FOR A  
25 VARIETY OF REASONS.

1 WE TALKED ABOUT -- AS YOU KNOW, THERE ARE  
2 TWO WAYS TO GET ON THE BALLOT. EITHER THE  
3 LEGISLATURE CAN PROPOSE A BALLOT MEASURE AND APPROVE  
4 THAT IT GO ON THE BALLOT OR YOU CAN HAVE A  
5 CITIZEN-LED MEASURE WHICH REQUIRES SIGNATURES, WHICH  
6 IS THE PROCESS BY WHICH PROP 71 AROSE. WE SORT OF  
7 DISCUSSED THE PROS AND CONS OF BOTH OF THOSE.

8 WE TALKED ABOUT THE ADMINISTRATIVE FUND.  
9 AS I SAID, WE RAISED SOME ADDITIONAL FUNDS FROM SOME  
10 GENEROUS PHILANTHROPISTS TO COVER FUNDING. AND ONE  
11 OF THE REASONS THAT'S SO IMPORTANT IS YOU WANT TO  
12 MAKE SURE, FROM THE TEAM'S PERSPECTIVE, THAT THEY  
13 UNDERSTAND THAT THERE'S GOING TO BE SUFFICIENT  
14 ADMINISTRATIVE FUNDS TO GO NOT ONLY THROUGH THE  
15 ELECTION, BUT IN THE EVENT, WHICH WE HOPE IS NOT THE  
16 CASE, THAT WE CHOOSE TO GO THE ELECTION ROUTE AND IT  
17 DOESN'T PASS, YOU WANT TO HAVE A CUSHION BEYOND THAT  
18 TO ALLOW FOR PUTTING IN PROCESS A WIND-DOWN OF THE  
19 PROGRAMS.

20 THAT GETS BACK TO, MADAM CHAIRWOMAN, YOUR  
21 COMMENTS ABOUT HOW THE STATE CONTROLLER'S OFFICE  
22 WOULD FACTOR INTO THAT. WE HOPE THAT DISCUSSION  
23 NEVER NEEDS TO BE HAD, OBVIOUSLY.

24 WE TALKED ABOUT PHILANTHROPIC GIFTS ON THE  
25 RESEARCH SIDE. BOTH WHAT I WOULD CALL UNRESTRICTED

1 GIFTS, WHICH ARE THOSE THAT WOULD BE GIVEN TO CIRM  
2 FOR USE AS CIRM SEES FIT. OBVIOUSLY THERE ARE MANY  
3 PHILANTHROPISTS WHO ARE EXTRAORDINARILY GENEROUS  
4 GIVING TO DISEASE FOUNDATIONS THAT ARE RESEARCHING  
5 POTENTIAL CURES FOR PEOPLE AND THEIR FAMILIES. WE  
6 ARE, OF COURSE, STRONG ADVOCATES OF THAT SORT OF  
7 PHILANTHROPY. AND, INDEED, SOME OF OUR PROJECTS, IN  
8 ADDITION TO OUR FUNDING, ARE LEVERAGED BY DISEASE  
9 FOUNDATION MONEY THAT GOES INTO THAT PARTICULAR  
10 INDICATION. BUT WE'RE LOOKING IN THIS REGARD MORE  
11 FOR SORT OF THE UNRESTRICTED. HERE YOU HAVE IT. WE  
12 LOVE THE FIELD. DO WITH IT AS YOU SEE FIT.

13 ALSO TALKED ABOUT CO-FUNDING. THE CONCEPT  
14 HERE IS THAT WE HAVE ALL THESE CLINICAL TRIALS THAT  
15 ARE LOOKING TO LEVERAGE ADDITIONAL FUNDS THAT, IF  
16 YOU COULD FIND THEM, WOULD STRETCH OUT THE LENGTH OF  
17 TIME THAT THE AVAILABLE CIRM FUNDS COULD BE USED,  
18 AND THAT WOULD ALLOW FOR USE IN MORE PROJECTS AT  
19 POTENTIALLY DIFFERENT TIMES, ETC.

20 AND THEN WE TALKED ABOUT JOINT VENTURES,  
21 REVISITING POTENTIALLY THE PUBLIC PRIVATE  
22 PARTNERSHIP. THAT WAS WHAT ATP3 WAS THAT YOU HEARD  
23 ABOUT EARLIER, WHICH IS THE FORMING OF A COMPANY  
24 THAT WOULD CAPITALIZE JOINTLY WITH US AND IN-LICENSE  
25 PROMISING TECHNOLOGIES THAT WE ARE FUNDING. WE'RE

1 THINKING ABOUT SORT OF WAYS TO TWEAK THAT. WHETHER  
2 WE ULTIMATELY DO THAT OR NOT REMAINS TO BE SEEN, BUT  
3 THAT, AGAIN, WARRANTS DISCUSSION.

4 LAST, BUT NOT LEAST, THE NOTION OF FINDING  
5 SOME VERY LARGE FOUNDATIONS THAT MIGHT SHARE OUR  
6 VISION AS TO MISSION AND DO SOMETHING JOINTLY WITH  
7 THEM. WHETHER THAT MEANT THEM CO-FUNDING OR WHETHER  
8 THAT MEANT ULTIMATELY THEM SORT OF TAKING IN OUR  
9 PERSONNEL AND IP AND PROCESSES AND ETC. ALL REMAINS  
10 TO BE WORKED OUT.

11 SO WE TOSSED AROUND ALL OF THESE IDEAS,  
12 HAD A ROBUST DISCUSSION, AND CAME AWAY FROM THAT  
13 WITH THE NEXT STEPS THAT WE ARE GOING TO UNDERTAKE.  
14 OBVIOUSLY, THE FIRST WAS TO DIGEST WHAT EVERYBODY  
15 SAID IN THAT FIRST MEETING AND TO REFINE THE OPTIONS  
16 FOR FURTHER DISCUSSION. THIS NEXT MEETING WE'LL  
17 ALSO REVIEW THE BUDGET THAT WE SEE GOING FORWARD  
18 BETWEEN NOW AND WHEN WE RUN OUT OF FUNDS. DR.  
19 MILLAN, CHILA, MARIA BONNEVILLE, AND OTHERS IN THE  
20 OFFICE HAVE SPENT A VERY LARGE AMOUNT OF TIME ON  
21 THIS. OBVIOUSLY, THERE'S SENSITIVITY ANALYSES TO  
22 FOLLOW BASED ON ASSUMPTIONS THAT ONE MIGHT HAVE AS  
23 TO WHAT WE'RE GOING TO DO WITH THE FUNDS AND WHAT  
24 THE PRIORITIES ARE AND ALL THAT. THEY'LL BE  
25 ADDRESSED AT THIS MEETING.

1           BECAUSE OF THAT, IT NOW SORT OF LEADS INTO  
2 THE JURISDICTION OF OUR SCIENCE SUBCOMMITTEE, WHICH  
3 TALKS ABOUT PROGRAMS AND PRIORITIES. AND SO THIS  
4 NEXT MEETING, WHICH, AS YOU CAN SEE, IS GOING TO BE  
5 HELD ON NOVEMBER 27TH, IT'S GOING TO BE A JOINT  
6 SUBCOMMITTEE MEETING OF THE TRANSITION SUBCOMMITTEE  
7 AND THE SCIENCE SUBCOMMITTEE. AND THEN  
8 RECOMMENDATIONS THAT COME OUT OF THAT MEETING ARE  
9 GOING TO BE PRESENTED TO THE FULL BOARD AT OUR  
10 DECEMBER 14TH MEETING. AND AT THAT POINT THE BOARD  
11 WILL BE ABLE TO HAVE A DISCUSSION AS A FULL BODY AND  
12 DECIDE SORT OF WHICH DIRECTIONS WE WANT TO GO FROM  
13 THERE.

14           SO THAT IS WHERE WE ARE AT THIS POINT.  
15 JUST, AGAIN, WANTED YOU TO KNOW THAT IT'S A VERY  
16 HIGH PRIORITY FOR US. WE CANNOT HAVE THIS FAIL.  
17 WE'VE GOT TOO GOOD A THING GOING HERE, TOO MANY  
18 LIVES DEPEND ON IT, AND WE ARE HIGHLY ENTHUSIASTIC  
19 ABOUT OUR ABILITY OF BEING ABLE TO CONTINUE ALONG.  
20 SO WITH THAT, I CONCLUDE MY PRESENTATION AND WELCOME  
21 ANY QUESTIONS YOU HAVE.

22           CHAIRWOMAN YEE: THANK YOU. MR. LOTT.

23           MEMBER LOTT: MY QUESTION AS TO WHAT  
24 (INAUDIBLE) NOT SUCCESSFUL. (INAUDIBLE).

25           CHAIRMAN THOMAS: SO THE PART OF THE

1 SCENARIOS THAT ARE GOING TO BE CONSIDERED FOR HOW WE  
2 SPEND THE MONEY CONTEMPLATES, ONE SCENARIO IS WE GET  
3 TO THE END OF OUR FUNDING AND WE DON'T GET FUNDING  
4 AND WHAT DO WE DO AT THAT POINT.

5 MEMBER LOTT: RIGHT.

6 CHAIRMAN THOMAS: SO THERE ARE A NUMBER OF  
7 THINGS WE'RE TALKING ABOUT. THIS WHOLE NOTION OF  
8 INDUSTRY INVOLVEMENT IS A BIG PART OF THAT. SO WHAT  
9 WE'RE TRYING TO DO BETWEEN NOW AND THAT POTENTIALITY  
10 IS TO MATCH AS MANY OF OUR PROGRAMS AS POSSIBLE WITH  
11 INDUSTRY SO THAT IF WE'RE NOT AROUND, THOSE PROJECTS  
12 WILL LIVE ON AS CARRIED ON PARTICULAR COMPANIES.  
13 THESE COMPANIES CAN EITHER BE BIG COMPANIES THAT  
14 TAKE THEM IN PART AND PARCEL OF THEIR PORTFOLIO.  
15 THEY COULD BE SPIN-OFF COMPANIES, WHICH WE'RE SEEING  
16 AN INCREASING NUMBER OF, THAT ARE FUNDED BOTH BY US,  
17 BUT A NUMBER OF THESE NOW ARE GETTING TO SOME VERY  
18 MATERIAL SERIES B RAISES, MATERIAL, \$75 MILLION  
19 RAISES, THAT SORT OF THING. AND SO THAT WOULD BE  
20 ONE WAY TO POSITION THE PROJECTS, AS MANY AS WE  
21 COULD TO KEEP GOING.

22 THE LAST THING I MENTIONED ABOUT FINDING A  
23 MAJOR FOUNDATION TO POTENTIALLY PARTNER WITH THESE  
24 PROGRAMS TO CARRY THINGS ON AND TAKE IN OUR  
25 PERSONNEL TO HELP MAKE THAT HAPPEN, ETC. IS ANOTHER

1 POTENTIAL WAY TO GO. I THINK OBVIOUSLY THERE WILL  
2 BE A NUMBER OF PROJECTS THAT, IF THEY'RE GIVEN ANY  
3 SORT OF WAY TO PARTNER AND THERE'S NO WAY TO GET  
4 ALTERNATIVE FUNDING THROUGH PHILANTHROPY OR  
5 WHATEVER, ARE GOING TO HAVE TO WIND DOWN. AND THAT  
6 WINDING DOWN, WE WOULD HAVE TO TALK TO MADAM  
7 CHAIRWOMAN ABOUT HOW THAT WOULD BE DONE. THAT WOULD  
8 NOT BE AN EASY THING TO DO BECAUSE SO MUCH OF WHAT  
9 WE DO IS NOT JUST GIVE THE MONEY OUT, BUT IS, AS DR.  
10 MILLAN POINTED OUT, WE ACTIVELY MANAGE AND WE HAVE  
11 ADVISORY PANELS THAT HELP THE PROJECTS FOR THE LIFE  
12 OF THEIR GRANTS TO GET BETTER, TO ACHIEVE BETTER  
13 RESULTS. SO HOW THAT WOULD BE INTEGRATED INTO WHAT  
14 THE CONTROLLER'S OFFICE WOULD DO WE WOULD HAVE TO  
15 WORK OUT. THERE ARE LOTS OF THINGS THAT WILL HAVE  
16 TO BE CONSIDERED, AND IT'S A GREAT QUESTION. SO  
17 WE'RE ON IT. DON'T HAVE ALL THE ANSWERS YET, BUT IT  
18 IS SOMETHING THAT IS OBVIOUSLY -- WE HAVE TO  
19 (INAUDIBLE) IF THAT HAPPENS.

20 THANK YOU. THANK YOU.

21 MEMBER SADANA: (INAUDIBLE)...THAT EXIST  
22 THROUGH FUNDING. (INAUDIBLE).

23 CHAIRMAN THOMAS: WELL, THE -- WHEN YOU  
24 SAY THE STATE, DOES THAT MEAN SUPPOSE WE PURSUE A  
25 LEGISLATIVE APPROACH? THAT WOULD HAVE TO BE -- THE

1 DETAILS OF GOING THAT ROUTE WOULD HAVE TO BE WORKED  
2 OUT IN DISCUSSIONS WITH THE STATE. AND ONE OF THE  
3 ISSUES THAT WOULD BEAR DIRECTLY ON THAT WOULD BE THE  
4 SIZE OF ANY BALLOT MEASURE. THAT WOULD DICTATE HOW  
5 MANY -- BASICALLY, GIVE OR TAKE, HOW MANY YEARS  
6 WORTH OF FUNDING YOU WOULD BE GETTING THROUGH THAT  
7 MEASURE. ALL THOSE DETAILS WOULD HAVE TO BE  
8 DISCUSSED AS WELL AS SORT OF THE TEXT OF THE BALLOT  
9 MEASURE, THE VARIOUS ASPECTS OF THE PROGRAM, AND ALL  
10 THAT SORT OF THING.

11 WE THINK THAT THE WAY WE'VE OPERATED IS A  
12 VERY GOOD ONE. WE WOULD HOPE THAT, IF WE ENDED UP  
13 GOING THROUGH THE STATE, THAT THE END PRODUCT WOULD  
14 BE VERY SIMILAR TO WHAT WE HAVE BECAUSE WE THINK IT  
15 DOES WORK. WE THINK IT'S BEEN HANDLED IN AN  
16 EXTREMELY TRANSPARENT FASHION SO THAT EVERYBODY CAN  
17 SEE WHAT THEY THINK OF HOW IT'S WORKED. AND THAT WE  
18 DO OUR -- OUR SCIENTISTS AND OUR PEER REVIEWERS AND  
19 OUR VERY TALENTED IN-HOUSE TEAM HAVE GIVEN THE  
20 VOTERS OF CALIFORNIA THE BEST OPPORTUNITY THROUGH  
21 THE PROCESSES WE HAVE IN PLACE TO MAKE THIS WORK AND  
22 ACHIEVE RESULTS.

23 BUT JUST TO YOUR QUESTION, ALL OF THIS  
24 WOULD NEED TO BE WORKED OUT IN DISCUSSIONS.

25 CHAIRWOMAN YEE: THANK YOU. (INAUDIBLE).

1 CHAIRMAN THOMAS: RIGHT. AND REMEMBER  
2 THAT THE RIGHTS -- WE DON'T HOLD ANY IP.

3 CHAIRWOMAN YEE: RIGHT.

4 CHAIRMAN THOMAS: THE RIGHTS ALL ARE TIED  
5 UP WITH POTENTIAL ROYALTY PAYMENTS. YES, THAT WOULD  
6 ALL HAVE TO BE ANALYZED AND WHERE WE GO FROM HERE  
7 AND ALL THAT SORT OF THING.

8 CHAIRWOMAN YEE: (INAUDIBLE).

9 CHAIRMAN THOMAS: WELL, RIGHTS, IF CIRM  
10 WERE NOT TO CONTINUE, THE RIGHTS WOULD CONTINUE.

11 CHAIRWOMAN YEE: YES.

12 CHAIRMAN THOMAS: SO THAT WOULDN'T REALLY  
13 IMPACT AT ALL ON THE STATE'S ABILITY TO RECOVER  
14 ROYALTIES. THEY'RE IN PLACE WHEN EACH AND EVERY ONE  
15 OF THESE GRANT AWARDS IS MADE. THEY WILL SURVIVE  
16 WHETHER CIRM DOES OR NOT.

17 CHAIRWOMAN YEE: RIGHT. ANOTHER QUESTION,  
18 DR. SEDANA?

19 MEMBER SADANA: (INAUDIBLE).

20 CHAIRMAN THOMAS: YES. YEAH. A LOT OF  
21 ISSUES.

22 CHAIRWOMAN YEE: (INAUDIBLE).

23 CHAIRMAN THOMAS: RIGHT. SO WE WILL BE  
24 ANALYZING WHAT SORT OF A COURSE WE THINK WE WOULD  
25 WANT TO TAKE WITH RESPECT TO A BALLOT MEASURE AS

1 BETWEEN A LEGISLATIVE AND A CITIZEN-LED OPTION AT  
2 BOTH THE JOINT SUBCOMMITTEE AND THE BOARD. SO WILL  
3 HAVE MORE FEEDBACK FROM OUR PERSPECTIVE FOR YOU IN  
4 VERY SHORT ORDER HERE.

5 CHAIRWOMAN YEE: (INAUDIBLE).

6 (ALL FOLLOWING REMARKS, IF ANY, WERE  
7 INAUDIBLE AND THE MEETING WAS THEN CONCLUDED AT  
8 10:45 A.M.)

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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

LOS ANGELES CITY HALL  
200 N. SPRING STREET, ROOM 1050  
LOS ANGELES, CALIFORNIA  
ON  
NOVEMBER 9, 2017

WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

BETH C. DRAIN, CA CSR 7152  
133 HENNA COURT  
SANDPOINT, IDAHO  
(208) 255-5453